Austria ... Sch 18	Indonesia .. Rp 2700	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium .... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 8.50
Egypt .... E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,641 Wednesday June 5 1985 D 8523 B

How Lagos keeps the IMF at bay, Page 16

World news | Business summary

Portugal's Democrats break up coalition

Portugal's Social Democratic Party (PSD) informed its Socialist partners in government that it was withdrawing from the two-year-old coalition on June 14, two days after Portugal signs its EEC accession treaty.

The new PSD leader, Anibal Cavaco Silva, has opened a constitutional crisis for President Antonio Ramalho Eanes. The move followed a bitter row over policies.

The PSD pullout could either mean that the entire Government will resign or Premier Mario Soares may choose to continue with a minority government, with the Social Democrats in opposition. Earlier story, Page 3

Fourth 'spy' arrested

A retired U.S. Navy communications expert became the fourth person arrested and charged in a spy ring accused of delivering classified documents to the Soviet Union.

Crossing reopens

Bulldozers began dismantling militia barriers between the Christian and Moslem sectors of Beirut, but fighting flared again in the city's Palestinian camps.

Spanish challenge

Spain's rival trade unions joined forces to organise mass demonstrations against social security reforms in one of the biggest challenges to the Socialist Government since it took office. Page 3

Afghan relief force

A Soviet relief force with thousands of troops is fighting its way through the Kunar Valley in eastern Afghanistan towards the rebel-besieged garrison at Barikot near the Pakistani border.

Financier on trial

Sicilian financier Michele Sindona went on trial accused of ordering the Mafia murder of the lawyer investigating his failed business empire. Page 3

Nicaragua truce plan

Nicaragua says it will demilitarise its border zone near Costa Rica, after the killing of two Costa Rican guards.

Walesa ill

Polish workers' leader Lech Walesa is ill and cannot give evidence in the trial of three leaders of the banned Solidarity movement.

Stroessner wavers

Paraguyan President Alfredo Stroessner appears to be wavering over plans for an official visit to West Germany next month after persistent claims that be is sheltering Nazi war criminal Josef Mengele.

Soldiers removed

Guatemala's military-led Government started to remove soldiers from key posts as part of a move to restore the country to civilian rule next year.

London bomb

London police made safe a bomb planted outside the Syrian embassy.

Soviet ship trapped

Soviet research ship Mikhail Somov, with 53 aboard, is trapped in thick ice off Antartica.

U.S. prayer ruling

The U.S. Supreme Court ruled unconstitutional an Alabama law authorising a minute's silence for meditation or prayer in state schools.

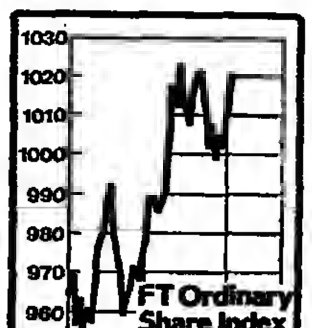
Peugeot granted FFr 2bn state loan

FRENCH GOVERNMENT granted Peugeot, the private car group, a FFr 2bn ($214m) loan to help finance the company's investment for the launch of a new mini car next year. The group reported lower losses of FFr 341m last year compared with a FFr 2.50bn deficit in 1983. Page 18

WALL STREET: At 3pm the Dow Jones industrial average was up 2.24 at 1,313.17. Section III

TOKYO shares were broadly higher after a strong rally. The Nikkei-Dow market average gained 109.90 to 12,583.31. Section III

DOLLAR was firmer in London, rising to DM 3.054 (DM 3.045), SwFr 2.569 (SwFr 2.562), FFr 9.31 (FFr 9.29) and Y249.1 (Y248.8). On Bank of England figures, the dollar's exchange index was 144.6 from 144.7. Page 41



LONDON stock prices firmed in afternoon trading. The FT Ordinary share index ended 9.5 higher at 1,020.2, its high for the day. Section III

STERLING lost ground in London, falling 1.75 cents against the dollar to close at $1.277. It was also lower at DM 3.8975 (DM 3.9475), SwFr 3.28 (SwFr 3.315), FFr 11.885 (FFr 12.015) and Y318.0 (Y321.25). The pound's exchange rate index was 79.7 from 80.5. Page 41

GOLD fell $0.75 on the London bullion market to finish at $315.75. It was higher in Zurich at $316.25. Page 42

EUROPE'S 20 main scheduled airliners are steadily improving their financial position and collectively should be "in the black at the end of next year," according to the Association of European Airlines.

NORWAY'S offshore fabricating industry received its first oil rig order for four years in a charter agreement with U.S. oil company Conoco. Page 5

JAPAN'S private health care industry received an important boost from the Government with the decision to grant tax exemptions for health insurance premiums in selected areas. Page 20

NESTLÉ, Swiss food and consumer products group, is raising SwFr 360m through an international issue of bearer participation certificates, believed to be the first of its kind by a Swiss company. Page 19

S.G.S., Italy's leading microelectronics company, is laying off a total of 1,000 assembly workers overseas and is considering a temporary shutdown in Italy which could involve short-term layoffs for around 2,000 workers. Page 21

SUNTORY, Japan's largest distiller with a 70 per cent share of the domestic whisky market, reported a 42.3 per cent fall in net profits to Y8.3bn ($33.4m) for the year to March. Page 20

LURGI, West German engineering and process plant company, has increased its order book this year but is cautiously holding firm to its plans for rationalisation and cost-saving. Page 19

We apologise that some tables in today's commodities page are incomplete. This is due to an unauthorised union meeting on Monday by a section of the clerical branch of Sogat '82 at the FT in London.

U.S. accuses Japan of dumping microchips

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

THE U.S. has now formally complained to Japan that Japanese manufacturers are flooding the American market with a key semiconductor, to the detriment of U.S. industry.

Mr Lionel Olmer, the outgoing Undersecretary of Commerce for International Trade, said in Tokyo yesterday that be had "persuasive evidence" that the price of EPROMs (eraseable programmable read only memory chips) had fallen to the point where no manufacturer could possibly be making money.

"The problem," be went on, "is thet no one likes to file dumping charges ... but this is a situation in which the evidence is that it looks like a duck, quacks like a duck, and walks like a duck and I have to conclude that it probably is a duck."

He declined to divulge details of the U.S. charges before presenting them to the Japanese authorities. Mr Olmer denied, bowever, that the Commerce and Justice departments could not see eye-to-eye on the need for formal anti-dumping action.

The new U.S. charges against Japan came, ironically, on the day when Mr Yasuhiro Nakasone, the Prime Minister, urged his ministers to "work harder" to finish the promised "actioo programme" to increase imports by the July deadline. Mr Nakasone was implicitly critical of the apparent slowness of the Agriculture Ministry to tackle specific issues.

The current worldwide glut in semiconductors has, according to Mr Michael Connors of Jardine Fleming's Tokyo office, brought the book-to-bill ratio down to about 0.7, against a peak of about 1.2 before the industry began to invest heavily in new productive capacity. Japanese manufacturers have, continued to invest in new plant, concentrating in those sectors, where prices have held up best.

Mr Olmer also laid out yesterday other specific areas of the telecommunications field in which the U.S. expected Japan to change its practices, focusing on the need for Japanese consumers to have "maximum free choice" in buying mobile telephones, for use in cars.

He also charged that intra-group purchases of telecommunications equipment by leading Japanese concerns constituted a serious non-tariff barrier as did the Japanese policy of allowing domestic companies to sit in oo panels passing judgmeot of foreign telecommunications equipment seeking Japanese certification.

Yet the general tenor of a valedictory luncheon speech on bis 4½ years of negotiating with the Japanese was to balance outstanding problems with the progress, especially in attitudes, that be thought Japan had made recently. He suggested that Canadian and European, especially French, protection of its telecommunications industry were as "disturbing" as Japan's.

But Japan, he argued, had to accept that on tenet of post-war U.S. trade policy – the concept of fair natiooal treatment – had been replaced by another, the need for reciprocity; and that this might indeed mean that Japan, with its tightly knit familial society, needed to change its approaches to the way it does business.

This would embrace a less intrusive role for government.

SGS group plans massive lay-offs, Page 21

London SE reform set to win backing of members

BY JOHN MOORE IN LONDON

THE LONDON Stock Exchange is set to gain enough support from its members to carry through a radical reform that will allow international financial groups and other companies to buy full control of stockbrokers and stockjobbers. But last night a key vote for constitutional changes to the Stock Exchange hung in the balance.

At a tense meeting at the stock exchange yesterday, Sir Nicholas Goodison, the chairman, addressed a packed meeting on the stock market's trading floor. He told the members that proxy votes received from 3,032 members indicated that there was so far enough support for all the changes.

"I believe the members feel the future of the Stock Exchange is at stake as the market in the bulk of the securities industry," Sir Nicholas said after the 90-minute meeting. If the constitutional changes fail to gain support, "I have no alternative plans," he said.

Last night, some members were arguing that the constitutional changes could be overturned following a full poll of the 4,495 members today. "It is on a knife-edge," one broker said.

Stock exchange members have been asked to support two resolutions in the poll. Resolution 1, once carried, will allow the market's ruling council to relax a rule which limits groups outside the Stock Exchange to 29.9 per cent shareholdings in stockbrokers and stockjobbers. Once the resolution is passed, outside groups will be able to control 100 per cent. Sir Nicholas said that so far proxy votes sent in by the 3,032 members indicated that 83.6 per cent were in favour of the resolution. Only a simple majority of those voting is required.

Resolution 2 requires a 75 per cent majority of those voting. So far, out of the 3,032 votes received, 79.3 per cent are in favour of the proposal. But some members were arguing that with a substantial number of votes to be cast today, and the possibility that proxy votes could be changed, the vote was still finely poised.

Support for this resolution would allow the Stock Exchange to amend its main constitutional document, the deed of settlement. It would allow the ruling council to shift the eventual proprietorship of the exchange from individual members to member firms. The resolution also incorporates an ambitious scheme to create a market in the shares of the Stock Exchange itself which could be freely traded. It is designed to compensate members for the admission of outside groups.

During the meeting Sir Nicholas heard arguments from numerous members that outside groups would be gaining access to the exchange "too cheaply." He told them that be noted their remarks and would convey their view to the Governor of the Bank of England, Mr Robin Leigh-Pemberton, without delay.

Continued on Page 18

Slower growth in UK money supply

By Philip Stephens in London

THE PACE of growth of Britain's most closely watched measure of money supply, sterling M3, slowed last month, although it remained well outside the official target range set by the Government.

The Bank of England reported that it was estimated to have risen by about ½ per cent in the four weeks to mid-May, well below the 2.9 per cent increase seen the previous month.

The announcement, which was in line with expectations, raised cautious hopes that if sterling remains strong, the major commercial banks might announce a small cut in base rates over coming weeks.

The general view was that Barclays and Midland, which currently charge 12¾ per cent compared to the 12½ per cent set by National Westminster and Lloyds, would be most likely to lead any move downwards.

Economists were cautioning, however, that such a cut would depend crucially on the pound bolding firm against other currencies in face of the present concern over oil prices.

Yesterday, sterling fell back against both a generally strengthening dollar and against European currencies as oil price worries and speculation over interest rate cuts tempered some of the recent confidence in the British currency.

It was also being pointed out that although growth in sterling M3 in May was relatively subdued, it has risen by 11¾ per cent over the last 12 months, compared with the Treasury's target range of 5 to 9 per cent. The annual growth rate over

Continued on Page 18

Editorial comment, Page 16; Lex, Page 18

Australia plans crackdown on tax shelters

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA's Labor Government yesterday embarked on its boldest political foray with publication of a draft white paper (policy document), on taxation that proposes sweeping reform, including net benefits for most taxpayers, plus a tax on real capital gains.

As part of a crackdown on tax shelters, and tax avoidance, the Government proposes abolition of the blanket tax exception enjoyed by gold mining, a move which sent the Australian gold index crashing by 52.7 points.

Further share market reaction was sparked by the capital gains proposal and by disclosure of the Government's intention to stifle tax evasion, and avoidance and penalise corporate fringe benefits. Concessions for farming, petroleum and the film industry will also be closely scrutinised.

The white paper, went further than most observers had anticipated.

Its centre piece is a proposal to widen the indirect tax base through introduction of a broadbased consumption tax (BBCT) on almost all goods and services, at a rate of 12.5 per cent. At present, Australia has only a limited wholesale tax.

Because this will raise fears of higher inflation the Government plans to soften the political blow with reductions in marginal tax rates at all income levels with the biggest benefits accruing to low and middle-income of A$22,500 ($15,000) a year would reap a net gain of A$14.20 a week, claimed the Government.

Mr Bob Hawke, the Prime Minister, is due to host a "tax summit" of all main interest groups in Canberra next mooth. He bopes to unveil firm legislative proposals before the end of this year.

He said yesterday be was confident of gaining broad community support for the tax reform plan, which would rank alongside sweeping deregulation of financial markets as Labor's main achievemeot since gaining power in early 1983.

However, powerful opposition is bound to be unleashed an will painfully test Labor's morale.

Mr Andrew Peacock, the Oppositioo leader, vowed yesterday to oppose any form of capital gains tax

Some unions felt the tax plan did not go far enough while the Australian Council of Trade Unions said it was unhappy with the proposed consumption tax – a measure of the political difficulties Mr Hawke has set himself.

The All Ordinaries index fell by 11.4 point to 861.2 although the market is bearish anyway.

Over the past 30 years the marginal rate of tax for an Australian taxpayer on average earnings has risen from 19 per cent to 46 per cent. The top marginal rate (60 per cent) now cuts in at 1.6 times average annual earnings, against 18 times 30 years ago. The Government says tax reform is long overdue.

A capital gains tax could produce A$450m by its fifth year, while the combined yield of the proposed tax changes could total A$8.5bn annually.

The white paper said there was no reason why gold minings' tax exemption should not be abolished from 1986-1987. This is bound to provoke a major controversy – as will plans to scrutinise tax arrangements for farming, film production and property investment.

Hawke regains initiative, Page 4

London 'knew of Lear Fan closure plan'

By Paul Taylor in Reno

THE BRITISH GOVERNMENT knew at least a week before the Belfast operations of Lear Fan were closed down that funds for the ambitious executive aircraft project "bad run out and that no private financing was available, according to Lear Fan executives.

At key Lear Fan board meetings in New York in mid May, and then in Los Angeles the day before the Belfast and Reno Lear Fan operations were closed down on May 24, the Northern Ireland Industrial Development Board's two nominees on the Lear Fan board are believed to have voted to sbut down the project.

Senior Lear Fan executives said the vote in Los Angeles was "unanimous." As a result hundreds of workers in Belfast and Reno were thrown out of work. "We were given oo choice but to cease trading," one director says.

The British Government and its Northern Ireland office have chosen to present the sbut down as a U.S. company decision and declined to comment upon its role in the crucial last Lear Fan board meetings.

In the wake of the shutdown 10 days ago the British Government and Lear Fan executives bave surrounded themselves with a cloak of secrecy. The spokesman for the Northern Ireland Development Office in New York refers all inquiries to "the company." But the Lear Fan group, represeoted by Denver businessman, Mr Bob Burch, has refused to return calls since the collapse.

In Reno Lear Fan executives say that the British Government was kept fully informed of developments leading up to the collapse of the project.

Meanwhile, two U.S. units of the troubled Lear Fan aerospace group, Learavia and Lear Fan Corporation, have filed for protection from their creditors under Chapter 11 of the U.S. bankruptcy code.

The key Denver-based holding company for the project, which has already consumed $72m in UK taxpayers' money, bas, bowever, apparently delayed any filing, at least until the end of this week.

That appears to confirm that another rescue attempt for the ill-fated carbon fibre aircraft may already be under way.

The U.S. filings do not affect Lear Fan Holdings, the Denver, Colorado based holding company for the group which is controlled by two Saudi investors, or any of the other seven U.S. Lear Fan units.

Lear Fan Holdings bad beeo expected to file for section 7 bankrupt-

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BankAmerica warns loan losses may absorb quarterly profit

BY WILLIAM HALL IN NEW YORK

BANKAMERICA, the world's second biggest banking group, which appeared to be recovering from heavy loan losses, warned yesterday that it will probably do no better than break even in the current quarter.

Although the group has had well-publicised problems in recent months it has until now managed to earn around $100m a quarter. The warning that its second-quarter operating results will be "near the break-even point" is a significant setback and surprised Wall Street, where confidence had been growing that the group was over its worst problems.

U.S. bank authorities are currently undertaking a regular examination of the group's loan portfolio and BankAmerica admitted yesterday that the higher loan loss provisions it will be making in the second quarter are partly a result of this examination. It also blamed the write-down of a foreign affiliate and increased charges associated with the valuation and disposition of foreclosed property for the deterioration in its performance.

BankAmerica's shares fell $1⅞ to $20 in heavy trading yesterday. Mr Lawrence Cohn, an analyst with Dean Witter Reynolds, said that things at BankAmerica were "not getting any better – and they were maybe getting worse." In common with several analysts, he has been worried by the group's poor performance trecent months.

Mr Sam Armacost, chief executive of BankAmerica, said yesterday: "While the quarter is not complete, it now appears that losses in several sectors of the loan portfolio – particularly in the foreign, commercial real estate and agricultural segments – will be higher than anticipated, and we felt the market ought to know. These segments have been especially affected by the impact of the strong dollar and disinflationary forces and have not responded to the general trend of economic recovery"

The news is the latest in a series of blows for BankAmerica whose financial performance has lagged behind that of most big U.S. banks in recent years. Bank regulators ordered it last November to improve its capital ratios and, earlier this year, tha bank bad to restate fourth-quarter earnings after discovering it had lost $95m on a massive mortgage-backed securities fraud.

BankAmerica refused to speculate on the size of its second-quarter loan loss provisions, but Wall Street analysts said the figure could well be over $300m. Over the last four quarters the group's average loan loss provision has been running at close to $250m.

BankAmerica is the biggest lender to the agriculture and property sectors in the U.S. and probably the world, and its earnings problems stem in part from heavy exposure to these industries. However, its credit quality experience has been worse than many other lenders in the same areas, according to analysts.

BankAmerica opens Hong Kong offshoot, Page 20

CONTENTS

EUROPEAN NEWS

Broad agreement on ambitious EEC plan for communications

BY QUENTIN PEEL IN LUXEMBOURG

RESEARCH MINISTERS of the EEC yesterday overcame their differences about launching an ambitious joint telecommunications research programme, and reached broad agreement on the need for an urgent start to the first phase.

They stopped short, however, of giving their formal blessing to the RACE programme (research and development in advanced communications technology in Europe) because of French objections to a quite separate research scheme to set up a tritium handing laboratory in Italy.

The final go-ahead is expected before the end of the month, to enable work to begin on defining the research necessary to establish an integrated broad-band telecommunications network, capable of handling voice, data and video transmissions throughout the Community.

The general agreement reached by the ministers sought to overcome objections by both Britain and West Germany on providing extra cash, in addition to the Ecu 1.2bn (£700m) overall EEC research programme agreed last December. The European Commission has promised to find the necessary finance from within that sum.

It also answered French objections that the definition work for the programme should be carried out by the European Conference of Postal and Telecommunications Authorities stating that work would indeed rely heavily on input from that organisation.

Yesterday's draft agreement, which is now referred to a foreign ministers' meeting before the Milan EEC summit at the end of the month, does not commit specific sums to the first phases of the RACE programme. National officials in Brussels have been instructed to see whether the traditional 50 per cent financing from the Community budget cannot be reduced to rely more on finance from the industrial participants in the programmes.

The Commission has sought a sum of Ecu 22m out of a total of Ecu 42m for the definition phase of RACE.

The Commission forecasts that telecommunications investment in the Community over the next 10 years will be of the order of Ecu 150bn (£90bn) making it the biggest industry in the EEC. The RACE programme is intended to co-ordinate the technology required for the next big leap forward in telecommunications.

The hiccup on final agreement came when it emerged that France could not approve another part of the combined package of research measures on the table—the establishment of a tritium-handling laboratory at Ispra, the EEC research scheme in Italy.

Solidarity activists 'making a circus of trial'

THE POLISH Government yesterday accused three Solidarity activists of attempting to turn their trial into a "circus" after one of the defendants again clashed with the judge and was removed from the court, AP reports from Gdansk.

Mr Lech Walesa, the Solidarity leader, also failed to appear to testify as a witness, claiming he was ill and saying that the trial was a mockery of Polish justice.

"Ultimately our law is being insulted as well as our system of justice." Mr Walesa said in an interview at his Gdansk flat. "It is all done forcibly not using the force of argument."

Mr Adam Michnik, Mr Bogdan Lis and Mr Wladyslew Frasyniuk are accused of planning a strike in protest at food price rises and belonging to an illegal organisation.

The four-day-old trial has been marked by repeated clashes between Judge Krzysztof Zieniuk and the defendants who claim he is not allowing them to elaborate on their answers to his questions, which are tied specifically to the indictment.

Shortly after yesterday's session began, Mr Michnik and the judge engaged in a heated shouting match that resulted in the former being ordered temporarily removed from the courtroom for a second consecutive day, observers in the courtroom said.

In Warsaw, Mr Jerzy Urban, the government spokesman, said the defendants were "fooling around in front of the court" in an attempt to draw attention to their trial.

"They want to deliver political speeches that have nothing in common with the substance of the trial," Mr Urban told a news conference. "No such circus tricks will turn justice into a show."

Western correspondents were denied access to the trial but relatives of the defendants and legal sources in the courtroom provided an account of the proceedings.

Mr Michnik, 38, one of Poland's leading dissident intellectuals, was interrupted repeatedly by Mr Zieniuk after trying to submit a motion asking that the three-judge panel be removed because they were denying the defendants a fair trial, the observers said.

"This statement has a fundamental meaning for my defence," Mr Michnik told the judge, who replied that he could not continue.

"The court interrupted me and I ask the court to listen to me until the end and to not interrupt my statements," Mr Michnik said.

Mr Zieniuk accused Mr Michnik of "disturbing order" and ordered him removed from the room. Mr Michnik was led out in handcuffs.

Mr Frasyniuk, who boycotted part of the previous day's session to protest the judge's handling of the case, returned to the court on Tuesday. He said he had stayed away on Monday because of "the illegal behaviour of the chief judge," court observers said.

Mr Michnik, Mr Frasyniuk and Mr Lis face prison terms of up to 7½ years on charges of playing a leading role in the underground of the outlawed Solidarity free trade union and inciting civil unrest by endorsing calls for a 15 minute work stoppage in February.

The trial is considered a significant test of the Government's continued resolve to stamp out dissent following the release of more than 600 political prisoners, many of them senior Solidarity figures, including the three defendants, under an amnesty last July.

Mr Walesa's wife, Danuta, handed the court a statement from his doctor on Tuesday morning saying he had been granted five days' sick leave from work because of a stomach ailment and was too ill to testify.

Mr Walesa was to have been questioned about a meeting on February 13, which he attended with the three defendants and at which, the prosecution claims, they planned the strike that was subsequently called off.

Mr Walesa said in an interview that no crime was committed at the meeting.

Mr Walesa, who is under investigation on the same charges as the three defendants, said he had already admitted to the prosecutor that he called the meeting on February 13.

"But there is nothing illegal about calling a meeting," he said.

French set up military group to co-ordinate defence in space

BY DAVID MARSH IN PARIS

THE FRENCH Defence Ministry has set up a group of staff officers to try to co-ordinate France's defensive efforts in space.

The move, announced by M Charles Hernu, the Defence Minister, emphasises the weight President Francois Mitterrand is attaching to developing military observation satellites.

Although France has two Telecom-1 satellites in orbit which are partly used for military communications, plans to launch a military observation satellite, Samro, have not passed the drawing board stage because of budgetary cuts.

M Hernu told an army magazine that the space group — which will be a joint organisation under the combined services' staff and the ministry's arms procurement agency (DGA) — would be asked to come up with recommendations to the Government over space defence.

The Government is trying to steer a careful line between employing satellites, and, eventually manned space platforms for reconnaissance purposes, and the more belligerent use of space advocated in the U.S. Star Wars programme for anti-ballistic missile weapons. This initiative has been denounced by M Mitterrand as amounting to the "militarisation" of space.

French aerospace companies, which have been urging the Government for some time to devote more funds to military space developments, recognise that the line between the two areas is, however, blurred.

M Hernu, who met Lieut Gen James Abrahamson, head of the U.S. Government's Strategic Defence Initiative (SDI) organisation, when the latter visited Paris in March, has recently strengthened France's commitment to staking a military presence in space. This is partly a consequence of the SDI programme, as well as of the possibility that satellite technology could eventually make France's nuclear submarines detectable from space.

Stewart Fleming adds from Washington: Dr David Owen, leader of Britain's Social Democratic Party (SDP), has urged President Reagan not to abandon the limits on nuclear missiles laid down in the unratified Salt II arms control treaty.

Speaking here on Monday evening after a 30-minute meeting with Mr Reagan, which was attended also by Vice-President George Bush, Dr Owen said he had told the President it was very important in European terms to stick to the numbers of the arms control agreement. This was in order to give a clear sign that the Administration is serious about the arms control talks in Geneva.

The Administration is in the midst of debate about whether the U.S. should continue abiding by the provisions of the treaty.

Brussels aims blow at Bonn

By Ivo Dawnay in Brussels

THE European Community's Budget Commissioner, Mr Henning Christophersen, yesterday delivered a thinly veiled attack on West Germany for its apparently conflicting stand over EEC budgetary and agricultural issues.

Calling for greater political discipline from member states, the Commissioner said greater efforts must be made in national capitals to ensure that consistent positions are adopted at all levels of Community activity.

"We very often see ministers in the Council take one stand, but at another an entirely contrary one," he said.

Mr Christophersen would not be drawn as to which were the offending states, but the reference was seen as criticising Bonn's repeated advocacy of strict budgetary discipline on farm spending, and its current resistance to any substantial cuts in the costly cereals regime at meetings of the Farm Council.

"We have spent a great deal of time discussing the need for budgetary discipline, when perhaps we could have given more consideration to the need for political discipline as well, he said.

Speaking after a meeting between members of budgetary committees from the European and national parliaments, the Commissioner went on to propose greater use of the Community's budget as an instrument for defining the political objectives of the EEC.

The informal meeting of Commissioners in Belgium last weekend had discussed several scenarios for the budget over the short-to-medium term. They were now determined to use the annual presentation of the budget proposals as a signal to both the European Parliament and member states about the Commission's strategy over several years.

Mr Christophersen said that, previously, the budget had been drawn up on a purely annual basis to meet spending demand, but the growing voice of the Parliament and the new emphasis on budgetary restraints forced the proposals to define Community objectives.

"You must formulate strategy based on setting priorities," he said.

Opposition to Greek President abandoned

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Conservative opposition yesterday put to rest lingering uncertainty about the status of President Christos Sartzetakis by saying that they recognise him as the head of state after the Socialist victory in Sunday's general election.

Mr Sartzetakis, a former Supreme Court judge, was nominated and elected President by the Socialists last March in a parliamentary vote which the Conservatives declared unconstitutional. The crisis led to the calling of an early general election which the Socialists won with 45.8 per cent of the vote, against 40.8 per cent for the Conservatives.

"We said before the election that the Greek people would decide the issue of the presidency at the polls. They have, and there is no longer an issue. We recognise Mr Sartzetakis as the legal President of the republic." Mr Constantine Mitsotakis, leader of the Conservative New Democracy party, said at a news conference.

Mr Andreas Papandreou, the Prime Minister and leader of the Socialist party (Pasok), said yesterday that stabilisation of the economy will be the priority of the Government scheduled to be sworn in today.

The Prime Minister, a former economics professor at the University of California at Berkeley, was not specific, however, about the measures the Socialists have in mind. A devaluation of the drachma was ruled out by Mr Gerassimos Arsenis, the former Economy and Finance Minister, just before the election. A tight wage policy, the other measure recommended by most independent economists, was rejected by Mr Papandreou during the campaign.

He said yesterday that the Government will present a detailed programme when Parliament reconvenes on June 17. One of the first items of business will be a Bill to restructure the government, by merging some of the 24 ministries and abolishing others. The aim is to streamline the administration and trim bureaucracy.

About 10 cabinet ministers will be sworn in today. Mr Papandreou said that he will continue to hold the defence portfolio. Another former minister thought very likely to reappear in the new cabinet is Mr Arsenis.

Intense discussion was taking place here yesterday between Mr Papandreou and close aides to decide who the other ministers should be.

Community support grows for Eureka programme

BY QUENTIN PEEL

A GROWING consensus on the French proposal for a joint European research programme into advanced technologies, code-named, Eureka, emerged yesterday at a meeting of EEC research ministers.

Community heads of government are now expected to give their blessing to the scheme at their Milan summit at the end of the month, instructing their officials to work out the necessary details.

Eureka, first proposed by M Roland Dumas, the French Foreign Minister, to his Community counterparts in April, is intended to prevent Europe from falling behind the U.S in advanced technology because the massive U.S. investment into its Strategic Defence Initiative (SDI), the so-called Star Wars programme. Unlike the SDI, it is intended primarily as a programme of research into civilian uses of such technology.

The idea was discussed informally by the ministers yesterday, most of whom agreed that it should not be restricted to the 10 EEC members, but designed flexibly enough to include other countries like Sweden or Austria.

So far, Britain has been the only government to respond formally to M Dumas' invitation to collaborate, but British officials said yesterday that there was clearly a growing consensus on the need and the broad outlines of the programme.

Nevertheless there is some concern among smaller member states, such as Ireland, that a major research programme like Eureka could aggravate the tendency of the Community to develop at two speeds.

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Austria arms sale dispute

BY PATRICK BLUM IN VIENNA

AN EMBARRASSING row has broken out in Austria over the possible sale of 50 light Kuerassier tanks to Morocco, pitting Steyr-Daimler-Puch, the company that makes them, against the Government which is itself divided over the issue.

The tanks are being used by the Austrian army but the company wants to buy them back and sell them to Morocco. In exchange, it would sell replacements to the army. The Defence Ministry has no objection to the Moroccan sale but says it cannot guarantee to buy new tanks. A spokesman said the army had bought two batches of 50 tanks from Steyr in 1983 and 1984 to help the company out.

The company is eager to go ahead with the deal, which has been under discussion for about a year, to shore up its flagging military sales. These have been badly hit by government restrictions and its refusal in 1980 to allow the company to sell tanks to Chile.

Opposition in the Government has come mainly from Herr Karl Blechat, the Interior Minister, generally regarded on the Left of the Socialist Party which is sympathetic to the Polisario guerrillas fighting Morocco for an independent republic in the western Sahara.

EUROPEAN NEWS

Portuguese coalition heads for break-up

By Diana Smith in Lisbon

LEADERS OF Portugal's tottering centre-left coalition were trying yesterday to avert a split long enough to sign the European Community accession treaty next Wednesday.

Recognising that it would be hard for a dismembered government to credibly sign a document that affects Portugal's future so greatly the Social Democrats (PSD), the junior coalition partner, whose radical change of leadership has precipitated the latest crisis, seemed prepared to delay pulling out for another week or so.

Once the EEC ceremonies are over, however, there seems little chance of salvaging the two-year-old coalition headed by Sr Mario Soares, the Socialist party leader.

The only question now seems to be how long a caretaker government might hang on: until mid-summer, or until December when local and presidential elections are due?

Inability to reach a workable agreement between an angry, frustrated Sr Soares, who sees two years' struggle for political and economic stability undermined by PSD intransigence, and the uncompromising Sr Anibal Cavaco Silva, the new PSD leader who wants to abandon the centre-left coalition and shift his party to the right, places President Antonio Ramalho Eanes in an awkward position six months before the end of his nine years in the presidency.

Sr Soares refuses to resign voluntarily. And Gen Eanes, having already dismissed him in 1978 following the breakdown of a brief mis-alliance between the Socialists and Christian Democrats, is loathe to do so again.

The PSD's new make-or-break tactics place all Portuguese political leaders in a dilemma: voters are visibly fed up with a decade of snap general elections, lame duck governments and politicians as a whole. Opinion polls taken recently show that no party would win more than 23 per cent of the vote. This seems an ill omen for PSD leaders who believe that breakdown and re-alignment is the route to strength with the electorate.

Spain's Socialist union joins in open opposition to Government

BY TOM BURNS IN MADRID

THE ESTRANGEMENT between Spain's Socialist Government and the Socialist Union General de Trabajadores (UGT) came to e head yesterday as the union took part—for the first time in nationwide protests against the Government's economic programme.

The UGT co-sponsored demonstrations egainst planned pensions cuts with the Communist-led union, Comisiones Obreras, in some 30 Spanish cities including Madrid and Barcelona. The joint protest platform contrasted with the traditional antipathy between the two rival labour organisaions.

The demonstrations marked a switch from the critical support that the union has lent to the Government to a position of open confronation. Although the protests focused on the pension cuts, the build-up to the demonstrations revealed far deeper divisions between the ruling party and its sister union organisation over the running of the economy.

Spearheading the switch is the UGT's secretary general, Sr Nicolas Redondo, who is also a member of the Socialist party's executive committee. An austere former steelworker, Sr Redondo, 57 years old, has emerged as the foremost critic within the Socialist ranks of the Government's austerity programme and of the monetarist principles adopted by the Economy Ministry.

Sr Redondo is said to be barely on speaking terms with Sr Felipe Gonzalez, the Prime Minister. Last week the UGT leader, who represents his home town of Bilbao in Parliament, broke the Socialist party discipline by voting against a First Reading of a social security Bill that proposes to overhaul pension contributions and payments.

Ironically, Sr Redondo, who is e legendary figure in modern Spanish socialism and trade unionism, was instrumental in having Sr Gonzalez appointed secretary general of the Socialist Party in 1974. His long record of anti-Franco militancy, which led to a string of arrests, imprisonments and internal banishments, had made him the chief candidate for leadership of the Socialist Party but be endorsed Sr Gonzalez instead in order to concentrate on building up the party's trade union arm.

The controversial pension cuts have been prompted by fears of a bankrupt social security system. On present trends the system will be unable to foot the pensions bill within the next decade, and already it makes serious inroads into the state deficit

As part of an overhaul of the system the Government intends to increase the contribution period for pensions from 10 years to 15 years and to base pensions on the last eight years of contributions instead of on the last two. Under the new scheme pensions will be inflation-indexed.

The changes aim to end a widespread practice of "buying" pensions and it will also tighten control over disability payments. According to officials "total disability" claimants have increased staggeringly in the past two years from 500,000 to 1.5m.

Sr Redondo's opposition to the pension reforms is in part based on his fears that the UGT would be outflanked by Comisiones Obreras if the latter were alone ellowed to capitalise on the protests against the social security overhaul. But his now open disaffection with the Government is based on a broader perspective. He is convinced that the Government should urgently reassess its economic nriorities and give full rein to public spending in order to create jobs.

His decision to put the full weight of his authority and that of the whole UGT organisation behind yesterday's protests amounts to an open rift within the Socialist party and constitues the most serious challenge so far to Sr Gonzalez's Government.

Paul Betts goes on tour with the rising star of the French Republican Party

Leotard bursts on to France's political stage

THE PALAIS RAMEAU—the large public assembly hall of the northern French city of Lille—suddenly exploded to the deafening sonod of the theme music from *Midnight Express* and *2001: A Space Odyssey*. About 3,000 people in this traditional stronghold of French socialism clapped to the thumping music and bowled as laser beams flashed messages exhorting liberal values and denigrating socialist ones on a huge cinema screen.

In American showbusiness style the lasers gave way to e film show of the man everyone bad come to see. As the video show ended, M Francois Leotard, secretary-general of the French Republican Party, made e triumphant, noisy entrance from tha back of the hall walking through the audience to the stage like a pop star.

Francois Leotard is the latest phenomenon of French politics. At 43, he is the Right-wing Opposition's answer to M Laurent Fabius, the 39-year-old Socialist Prime Minister, whose personal popularity has been rising while that of his own Socialist Party bas been tumbling. Léotard, like M Fabius, represents a new breed of young, modern, liberal politicians who embrace moderate, technocratic, Centrist views: social democratic ones in the case of Fabius, democratic liberalism in the case of M Léotard.

Both M Fabius and M Léotard graduated from the elitist Ecole Normale d'Administration in the same year. And Francois Léotard acknewledges quite candidly that President Francois Mitterrand's decision to appoint Fabius Prime Minister last summer "caused a real tide in French politics and gave a big boost to a whole group of new young politicians including people like me in the opposition."

M Léotard, to capitalise on this new political climate and on what be senses is e rise in the appeal of liberalism in France, criss-crossed the country throughout May. He has seen more than 100,000 people during his roadshow, which bas included daily meetings with local businessmen, visits to schools and universities, debates and, in the evenings, a big rally

Traditionally close to former President Valery Giscard d'Estaing, M Léotard became mayor of Frejus in the south of France in 1977 and was elected to the National Assembly the following year, before becoming secretary general of the Republican Party and vice-president of the centre-right UDF political gronping. The UDF together with the neo-Gaullist RPR, constitute the main right-wing opposition parties in France. Tha Republican Party itself — one of the groups which is part of the UDF —was the party with the closest links to Giscard in the opposition. As a result, after Giscard's defeat in 1981 by Mitterrand, the Republicans suffered more than other factions of the traditional right.

M Léotard is handsome (his brother is a popular film actor in France), young and athletic: be is a cross-country runner and competes in the New York marathon. His appointment was part of the Republicans' efforts to revive the party.

"I wanted to ensure that we had a well-oiled machine for next year's elections. This has been a trial run of sorts," he sas. The campaign will now be followed np by another campaign to get the members of his team better known.

M Léotard: e political phenomenon

But if M Léotard has seen his star rise in tha French political charts, he nonetheless faces some considerable hurdles. Despite his success at emerging as a national figure, there is still a blockage at the top of the Opposition where the traditional right-wing leadership trinity — M Giscard, M Jacques Chirac, the Mayor of Paris and leader of the RPR, and M Raymond Barre, M Giscard's former Prime Minister—continue to vie for ascendancy.

Unlike M Barre, M Léotard believes the right should form a government if it wins the parliamentary elections next year. "It will be fore President Mitterrand to decide whether there will be crisis or no crisis," he says. M Léotard has also made it clear he would be willing to lead a new government or at least be part of it.

M Léotard, like other right-wing leeders in recent weeks has sought to play down the differences within the Opposition about "cohabitation" the issue of whether a right-wing government could cobabitate with a Socialist president next year.

"I think the opposition should debate the issue of cohabitation, but in private rather than in public. Otherwise it only plays into the hands of President Mitterrand and helps to divide the right," be says.

"The issue is especially delicate for Léotard because the majority of deputies in his party and probably in the UDF as a whole would back right now M Barre as the candidate of the right in the next presidential elections in 1988.

"If there was a headcount of deputies on a choice between Barre or me, I would be in a minority. But that is not the issue. The real issue is that we must all contribute to belp the right to win in 1986; and if I bave to pass the ball to Barre I will do it," says M Léotard.

As for bis chances of becoming a potential prime minister next year, many believe they are good; but M Léotard lacks experience and be acknowledges this openly. "My only real experience in public office is running my town hall of Frejus."

Another risk for M Léotard is his high popularity in France. "The French are fickle. They get crushes on people and then drop them. Look at Yves Mon tand, the actor. A year ago everyone was praising him for his political views and talking of him as a presidential candidata. His last television show was a flop and the public has already tired of him. You have to be careful," remarked Mlle Capucine Fandre, M Léotard's press secretary.

"But the French have also changed. They want new faces and a new with-it look. We say 'branche'."

For this reason, Francis Léotard is keen not to overdo the promotion of his image. He believes M Fablus bas managed his own image very skillfully by knowing when to appear and disappear. "President Mitterrand has realy picked the best in Fabius for the Socialist Party. He is the toughest, shrewdest of the mall. A real killer. He's our real competition."

The people around M Léotard claim their leader is not in a burry. "We believe a major change is taking place in France and that liberalism is becoming increasingly popular. We belleve we can build this new political movement up in the next 10 years or so," says M Alain Madelin, the number two of the Republican Party and also in the young-handsome mould of the new Repnblican Party image.

"Francois Léotard is in it for the long haul. Remember he is after all, an accomplished cross-country runner and like all long distance runners he has a lot of staying power."

Sindona faces his most serious trial

BY ALAN FRIEDMAN IN MILAN

SIG MICHELE SINDONA, the Sicilian financier and former Vatican adviser, went on trial here yesterday accused of arranging the killing in 1979 of Sig Giorgio Ambrosoli, a lawyer who was officially investigating Sig Sindona's finances.

Other charges against him involve allegations that be participeted in extortion and threats of violence against Sig Roberto Calvi, chairman of the collapsed Banco Ambrosiano) and also against Dr Enrico Cuccia, former chairman of the Mediohanca merchant banfi

Sig Sindona was convicted and sentenced lo 15 years in prison in March, following e three-month trial in Milan for fraudulent bankruptcy in the 1974 collepse of his Italian banking empire, including Bance Privata.

The 64-year-old Sig Sindone was also sentenced to 25 years in jail after a New York triel in 1980 for fraud and perjury ln the 1974 collapse of the Franklin National Bank.

He was extradited to Italy last Seplember under a new U.S.-Italian treaty which could have him returned to prison in New York State before again being returned to Italy to serve his jail sentence bere.

The trial, which began yesterday morning in a cramped court rooms in Milan's imposing *Tribunale* building, is by far the most serious which he has yet faced. The prosecution alleges that Sig Sindona arranged for $50,000 to be paid to a hired killer who assassinated Sig Ambrosoli in Milan in 1979. The lawyer bad been appoinled by the Bank of Italy to carry out the liquidation of Sig Sindona's Italian interests.

Sig Sindona, looking his usual dapper self in e three-piece suit, entered a 15-foot-long metal cage in the court room et 9.30 yesterday morning. At first nervous, he then smiled as e dozen pbotographers surged forwerd to record for posterity tbe man described in March by the state prosecutor as "among the most dangerous criminal elements of Ilalian society."

A few minutes later he was jolned in the steel-barred cage by Mr Robert Venetucci, a New York-born alleged Mafioso who, tbe prosecution says, orgaoised the killiog at Sig Sindona's behest. The two men shook hands and then separaled, remaining at opposite ends of the cage for the duration of yesterday's proceedings.

The trial opening seemed at times like the prologue to a pley, witb most of the four rows of benches taken up by black-robed defence lawyers for a total of 24 defendants. The trial is likely lo attract wider interest in September, when Sig Giullo Andreotti, Italy's Foreign Minister, is expected to be called to testify in order to assist in reconstructing the events of Sig Sindona's career.

Sig Andreotti, a former Prime Minister, bas denied allegetions thet he ever tried to eld Sig Sindona when, in 1974, the latter's banking empire was collepsing.

The mlnister survived a parliamenlary motion last November calling for his resignation on the grounds that he had belped Sig Sindona.

AMERICAN NEWS

Reginald Dale assesses the prospects for a more active U.S. role in the bid for peace

America's Mideast policy inches forward

AFTER months of virtual standstill, the Reagan Administration's Middle East policy is beginning to *inch* forward. "There is motion," says Mr George Shnltz, Secretary of State.

But to many experts outside the U.S. Government, it looks like exceedingly slow motion: what movement there is appears to have been generated more by King Hussein of Jordan than by Washington.

Ever since be badly burned his fingers with the abortive Lebanese-Israeli withdrawal agreement two years ago, Mr Shultz bas been playing the Middle East extremely cool. Ha is still, officials say, scared of Arab "perfidy." The U.S. line bas been to resist Arab appeals for Washington to take a more active role in getting a new round of peace negotiations under way, and to insist that it is up to the parties concerned, and especially King Hussein, to organise direct Arab-Israeli negotiations.

Washington has not wanted to encourage excessive expectations, or make the Israelis nervous by moving too fast; but at the same time, in a delicate balancing act, it has been trying not to appear so negative that the Arabs lose interest.

The U.S. has accordingly been inviting the Arabs to test its intentions, hinting that there are *some unspecified moves* it could make if the Arabs first draw closer to long-standing American positions on such key issues as the role of the Palestine Liberation Organisation in the peace process.

King Hussein came to Washington last week to conduct precisely such a test, clearly feeling that he and the Palestinians had come a long way to meet the Americans, and certainly as far as they could at this stage. The PLO, he told President Reagan, was now ready to negotiate on the basis of UN Security Council "land-for-peace" resolutions 242 and 338, acceptance of which has long been regarded as the litmus test of Arab and Palestinian willingness to reach a peaceful *settlement* with Israel.

The announcement did not have the effect he had hoped for. While the U.S. State Department welcomed it as "progress" it also said it would have to hear an explicit commitment directly from the PLO itself. Moreover, it added, the PLO must not only endorse the two UN resolutions, it must accept Israel's "right to exist" (and possibly also renounce the use of terrorism), if it is to fulfil the 10-year-old conditions for U.S. recognition as a negotiating partner.

That is likely to prove a major stumbling-block in the tortuous path of the Palestinians to the negotiating table, particularly if the U.S. continuas to insist on its "right to exist" phraseology. While many moderate Arabs, *including King Hussein*, can bring themselves to acknowledge that Israel exists, they find it much barder, if not impossible, to accept that it has a "right" to do so.

Equally disappointingly to King Hussein, President Reagan also declined to endorse bis suggestion that the aim should be Palestinian "self-determination within the context of a Jordanian-Palestinian confederation." The *King*, apparently, was boping that if Washington could only accept that wording, he could take it back to Mr Yassir Arafat, the PLO leader, and trade it for further concessions.

The Administration, bowever, continues to regard "self-determination" as shorthand for a *de facto* Palestianian state, which it cannot accept however much hedged around with qualifications.

So what is Washington offering King Hussein for his efforts? State Department officials say that the main *quid pro quo* is Mr Reagan'a public assurance last week that Jordan will be able to count on U.S. assistance for its *economic and security needs*. Beyond that, on the diplomatic front, the U.S. is now seeking a way to provide the King with at least some form of the international backing he says be needs to go to the negotiating table, and groping towards a preliminary meeting with a Jordanian-Palestinian delegation that the *Arabs* want to precede negotiations proper.

It is not at all clear, bowever, that Mr Reagan is in any position to help Jordan meet what it sees as its security needs in *the immediate future*. The traditionally pro-Israel Congress has taken the position that King Hussein must move closer to negotiations with Israel, if not actually start them, before it will allow any sales of the sophisticated American weaponry, such as advanced fighters and surface to air missiles, that Jordan has long been *seeking*.

Publicly at least, Washington and Amman also remain far apart on the framework for new negotiations. King Hussein says be wants an international conference, with Soviet participation: the U.S. says there can be no role for Moscow unless it radically changes its policies and embraces Israel with an unprecedented and virtually unimaginable warmth.

King Hussein of Jordan in Washington last week to discuss with President Reagan his plans for pushing ahead with the Middle East peace initiative

But this is largely a phoney arument. Despite Israeli suggestions to the contrary, King Hussein does not want Moscow et the negotiating table; be wants his Jordanian-Palestinian *team to talk directly to the* Israelis. He wants some kind of diplomatic device that will *demonstrate* that be is not making a lonely aeparate peace with Israel in the footsteps of the late Egyptian President Anwar Sadat. King Hussein wants legitimacy in the eyes of the rest of the Arab world and, above all, he wants the Syrians to refuse an inviation to join in. In that way, Damascus should be less *able to complain* that it was excluded, or use its exclusion as a justification for sabotaging the process.

Washington does not want to allow Moscow the slightest chance of a playing a spoiling role; but it is beginning to appreciate King Hussein's position and, since his visit, it has pledged to try harder to see if diplomatic ingenuity can somebow provide the required "international context."

Similar ingenuity will be needed *if* the separate preliminary talks between the U.S. and a *Jordanian*-Palestinian delegation ore to get underway in the coming weeks. So long as the *PLO* refuses to meet Washington'a conditions for recognition, the U.S. will not accept PLO members in the joint delegation. But there would be no point to a delegation that did not have Mr Arafat'a blessing, given that the whole idea is to bring representative Palestinians into the negotiations.

Theoretically is should not prove impossible to agree on a list of names, lf both aides are serious. King Hussein has said *that* the *team that* meets the Americans need not be composed of the same people as the one that subsequently negotiates with Israel.

But there is a danger that, *if* the *Americans* meet *Palestin*ians of wbom the Israelis disapprove, bard-line Israelis will denounce lt as an *American* sell-out, putting political pressure on Mr Shimon Peres, the Israeli Prime Minister, to disassociate himself from the initiative. Israel still effectively has a veto over the whole process, and the U.S. does not question that right.

The *U.S. says* quite clearly that it will not put pressure on Israel to come to the negotiating table, arguing that a precondition for any negotiations must be that Jerusalem is a willing partner. The U.S. believes that *Mr Peres* is the man to negotiate, but that he is not yet ready: he must first complete the withdrawal from Lebanon, get the economy on a sounder footing and strengthen his domestic political base.

At that stage, possibly in the autumn, the State Department says, it bopes to provide Mr Peres with the negotiating partner—in the shape of tbe Jordanians-Palestinians — that Israel has always said it wanted. Only after negotiations begin, says Washington, will it start to apply pressure on Israel.

But there is still a long way to go from here to there. The Administration says that its waiting game has paid off, in terms of Arab concessions, and that Mr *Arafat, with his options* continuing to narrow, will eventually move still further. The *Arab side* should finally be ready for negotiations about the same time as the Israelis, some time later this year, it says.

The danger is that King Hussein, npon who it all depends, will find that he can no longer stay out on his moderate limb *without* anything concrete to *show for it*. He repeated bis warnings in Washington last week that the radical, fundamentalist threat would grow, both in Jordan and throughout the region, if moderation is not quickly seen to bear fruit.

Although Mr Reagan came close to accepting the King's view that this is "the last chance" for a negotiated peace, there is little sense of urgency in Washington. The Middle East is not the top foreign policy priority.

Domestically, there is no doubt that the majority of U.S. opinion, in so far as it focuses on the Midle East, is overwbelmingly on Israel's side. Mr Reagan does not want a row over American dealings with the *PLO so soon after alienating* American Jews, and the majority of Congress, with his visit *to the Bitburg war cemetery* last month. In any case, be regards the PLO as pro-Soviet and an increasingly spent force. While the Administration would dearly like a foreign policy success, it is not going to make too many concessions to the Arabs to achieve one.

Venezuela intervenes in private bank

By Joseph Mann in Caracas

THE VENEZUELAN Government yesterday took control of one of the country's major commercial banks, Banco de Comercio, and some of its most important subsidiaries, Sociedad Financiera de Comercio, Arrendadora Bancomer and Orient Leasing de Venezuela.

Sr Carmelo Lauria, the presidential secretary and a former banker, announced the Government's decision yesterday. He said the banks' deposits were fully guaranteed by the newly-created Deposit Guarantee Fund (DGF), a government body set up to act as a watchdog over the banking system and to support troubled banks. Sr Lauria said Banco de Comercio had lost some Bolivars 900m (£53m) from bad loans.

The Government's move put an end to months of rumours about the solvency of Banco de Comercio, which had been receiving heavy financial assistance from the Central Bank of Venezuela in order to meet *its day-to-day* commitments.

Banco de Comercio, considered the weakling in the country's commercial banking system due to its poor-quality loan portfolio, will now be run by government appointed managers.

In its year-end statements for 1984, Banco de Comercio, the *14th largest commercial* bank, reported total assets of \$313m equivalent, and a loan portfolio totalling \$218m. It reported net profits of \$561,000 for second half 1984 on total income of \$18.2m. The Government said that Banco de Comercio had a total debt of over \$91m to foreign banks and financial institutions, but that its net obligations (debts less deposits and other assets) stood at around \$14m.

The Government move con*trasted with the sloppy* handling last year of a decision to close down—and later liquidate—the Banco Nacional de Descuento, a private bank

Venezuela's current economic and financial problems have weakened the financial system, with six banks in *serious trouble* over the last five years.

Quebec separatists trounced by Liberals in four by-elections

BY ROBERT GIBBENS IN MONTREAL

MR ROBERT BOURASSA, re-elected two years ago as leader of the federalist Liberal Party in Quebec, led his party to o resounding win against the ruling Parti Quebecois (PQ) in four by-elections on Monday. The contests were regarded as a curtain raiser for the general election which the French-speaking province must bold by April 1986.

The by-elections have further shaken the position of Mr Rene Levesqne, Premier of Quebec and founder of the PQ. The party has been falling behind steadily in popular favour as Quebecers lost interest in sovereignty for their province. The PQ *originally* stood for a sovereign Quebec, but Mr Levesque has been softpedalling the issue without, however, restoring party fortunes.

In the process he brought *about a split in the party*. Late last year Mr Levesque insisted on shelving the issue of independence for the coming general election campaign and several senior cabinet ministers and backbenchers, including Mr Jacques Parizeau, the Minister of Finance, resigned. The defectors argued that Mr Levesque *had deprived* the PQ of its *raison d'etre*.

Mr Bourassa won a suburban Montreal constituency with a big majority over Mrs Francine Lalonde, Quebec Minister for the Status of Women. He will return to the Natonal Assembly at Quebec City for the first time since he and the Liberals were turned out by a PQ landslide in 1976. In the campaign leading up to Monday's by-elections, the Liberals hammered away at a variety *of local* problems, especially Quebec's high unemployment and high taxes.

The PQ has now lost alt 28 by-elections since it took power ln 1976. Standings in the National Assembly are: PQ 61, Liberals 53, Independents (mainly disaffected PQ members) 7, and vacancies 1. Technically Mr Levesque has a majority of 1, and the Liberals say they will do everything to bring the Government down and force an early election.

In tbe four by-elections the *Liberals* won 58.4 per cent of the vote against 24 per cent for the PQ.

Mr Levesque would not comment on the by-election results. If he resigns, the PQ would have to hold a leadership convention this outumn and the election could be delayed until spring. Alternatively Mr Levesque could call an electioo in the autumn, some observers believe.

Brazil metalworkers' strike comes to an end

BY ANN CHARTERS IN SAO PAULO

THE BRAZILIAN metalworkers' strike, the longest in the industry's history, ended on Monday wben 11,00 workers returned to work at Ford in the ABC industrial area near Sao Paulo.

This follows a return to work at 16 other auto manufacturers *during* the past fortnight.

The Ford strikers returned to work without reaching agreement on their main demands which provoked the strike—quarterly wage adjustments and a reduced work week of 40 hours. They settled for a 5 per cent wage increase and a three-month employment guarantee.

The 54-day strike, involving Ford, Volkswagen, General Motors and Mercedes, has cost the auto manufacturers an estimated \$353m in lost production, according to the Naitonal Automobile Manufacturers' Association (Ansavea). Some production may be *increased* or made up in overtime during the rest of the year, but the auto manufacturers have lost export orders, which at last count, totalled \$100m.

Ford was unable to fili an export orders for 2,400 Escorts to Scandinavia, losing the contract to Ford'a German subsidiary. Volkswagen fell behind its monthly shipment of 5,000 to 6,000 Passats to Iraq, but *intends to recoup lost deliveries* through production increases.

OVERSEAS NEWS

S. Africa's white miners call off strike

By Anthony Robinson in Johannesburg

THE THREAT of a strike by *white miners* in South Africa's gold, coal and platinum mines in support of their annual pay claim bas evaporated following agreement on an 11 per cent across the board wage increase for 23,000 white miners and a further *24,000* white mine officials.

The agreement between the white Council of Mining Unions, the union federation of which the National Mineworkers Union is an affiliate, and the Chamber of Mines, representing mine employers, brings to an end the dispute called *last* month when the union side rejected the chamber's 10.5 per cent offer and held out for an 11.5 per cent rise.

Apart from the 11 per cent pay increase miners and officials working split shifts will receive e 5 per cent of base salary shift allowance to replace the existing fixed 40 rand per month allowance, improved shift allowances generally and an improvement in rates for rest day working.

The increases are backdated to May but are significantly *below the current* inflation rate of 16 per cent. This is the third successive year that the white unions bava accepted below-inflation increases.

Meanwhile, the first sign that the black National Union of *Mineworkers may* be prepared to modify its demand for a 40 per cent wage increase has come from separate negotiations with the Namaqualand Diamond Mines division of De Beers.

Negotiations in the *diamond* mines are conducted directly with De Beers and not through tha chamber. But the NUM put forward an identical 40 per cent claim for its members in the diamond mines which it reduced in *negotiations* last week to 34 per cent before *talks* reached a deadlock resulting in the declaration of a dispute by the NUM yesterday.

Talks between tha NUM and the *chamber covaring* pay and conditions in the gold, coal and platinum mines should bave begun last month but the chamber bas not yet set a date for negotiations.

Michael Thompson-Noel examines the Australian Government's taxation White Paper

Hawke regains political initiative with tax reforms

WITH THE publication yesterday of a radical draft White Paper on tax reform, Mr Bob Hawke's Australian Labor Government cast off its depression of recent months and regained the political initiative.

Conceivably, Labor will now do for tax reform what lt has already done for deregulation of the financial markets, and gain plaudits all round.

The road ahead is treacherous, however, mainly because Mr Mr Hawke and *his* Treasurer Mr Paul Keating, have not shied away from tongh decisions.

The Government's preferred position on tax reform as expounded in the White Paper envisages across-the-board reductions in marginal income tax rates, plus the introduction of a broad-based consumption *tax (BBCT) on goods and services* at 12.5 per cent.

It also plans to broaden the direct income base; the most controversial measures include a capital gains tax, a system of national identity numbers to belp curb tax evasion, a tax on gold mining, and atiff measures to curb "lurks and perks," the fringe benefits.

As a result, there is something in the White Paper to offend everybody — especially the vested interests and special pleaders that beve help distort Australia economy virtually from the moment when the first convicts stepped gingerly ashore at Botany Bay almost 200 years ago.

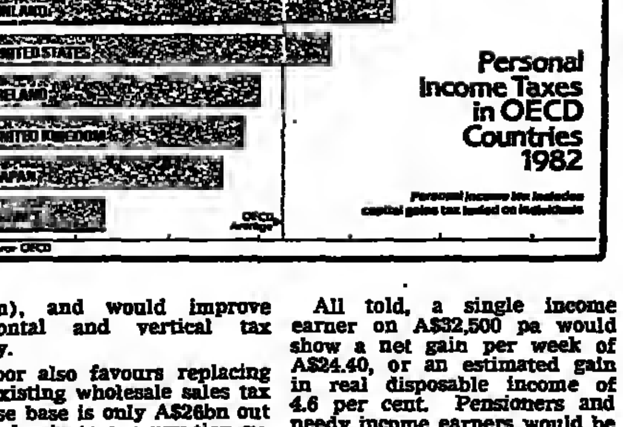
Against that, the Government's preferred route to tax reform is cogent and politically bold, at least by Australian standards.

The next stage will be a tax "summit" in Canberra next month: unless that turns into o riot, tha Government bopes to unveil its tax decisions well *before the end of this year*. It insists that inequities and inefficiencies in the tax system can no longer be "potholed," and that fundamental reform is imperative.

Its proposals fall into two *main* categories: broadening the income or direct tax base; and extending tha indirect tax base through adoption of a broad-based consumption tax.

On direct tax, the key proposals include: reduce marginal income tax rates; tax non-cash fringe benefits at the employer level; introduce o comprehensive tax on real (la, indexed) capital gains at ordinary rates of personal or company income tax; introduce a national identification system to curb tax evasion; restrict the write-off of losses on farming; tax gold mining; scrutinise potroleum and afforestation rebates, and reduce film industry concessions; and tax foreign-source income of Australian residents.

These measures, says the Government, could produce a 1987-88 revenue yield, in estimated 1984-85 prices, of A\$1.7bn-A\$1.8bn (£867m-£918m), and would improve horizontal and vertical tax equity.



Labor also favours replacing the existing wholesale sales tax (whose base is only A\$26bn out of total private consumption expenditure of about A\$124bn) with o *BBCT* of *12.5* per cent. Its net consumer price index effect: an estimated 6.5 percentage points. Net revenue yield: an estimated A\$6.8bn.

The BBCT, together with a yield of A\$1.7bn from widening the *direct tax* base, *would* finance significant reductions in marginal tax rates at all income levels, but particularly those balow A\$22,500 pa, says tha Government.

All told, a single income earner on A\$32,500 pa would show a net gain per week of A\$24.40, or an estimated gain in real disposable income of 4.6 per cent. Pensioners and needy income earners would be compensated—or over-compensated—for adverse price effects.

Crucially, the Government says that the estimated CPI gain of about 6.5 percentage points should be treated es a once-off occurrence. It assumes thot wages do not rise to reflec be ax-induced increase in tha CPI: that tha trade-off of reduction in personal income tax (and increased welfare payments) will be viewed as proper compensation for the BBCT.

This is a fair assumption: Labor's pay accord with the unons *is* still in reasonable repair and still delivering the goods, as it has since Mr Hawke swept so imperiously to power 27 months ago.

The Government, in examining tax shelters and tax minimisation, plans to scrutinise carefully a number of existing facilities, including treatment of farm losses, negative gearing of property investment, gold mining, mineral exploration, and film production.

Farm sbelters cost A\$155m, negativa gearing of rental accommodation investments costs A\$175m; very generous tax concessions for films were introduced in 1980 and now cost A\$95m. As for gold mining, which enjoys blanket exemption for its entire income (except for a royalty in Queensland), the Government favours abolition of its exemption from 1986-87 on. Gold mine investment has boomed of late, as have shareprices.

Another way in which the Government hopes to broaden the income tax base is with the introduction of a general capital gains tax, allowing some losses to be offset against gains. A *taxpayer's* principal residence would be exempt, as would certain other assets. Possible yield: A\$450m by the fifth year.

There would be a crackdown on fringe benefits, such as company cars and low-interest housing loans. The current estimated revenue loss is thought to be A\$700m per annum.

There is some discussion of business taxation in the White Paper, though reform in this area seems likely to take a back seat to the political imperative of lower personal income tax rates. The Government is not attracted to any form of wealth tax;

Mr Hawke has not enjoyed a smooth run since his Government won re-election last December. His image is frayed, his credibility in question; but he is nothing if not sporting. What he has now aet for himself with the tax reform proposals is o major test of nerve and political will that will determine—in large measure Labor'a ability to hold power into the early 1990s.

Mr Hawke and the Australian Labor Party have already made their mark by deregulating Australia's financial system and floating the Australian dollar. They can also claim some success with the economy, and in lowering the temperature of industrial unrest

Their mistakes—in contrast—have *stemmed from* political indecision. With tax reform, Mr Hawke has an opportunity to redress the mistakes of recent months. If be wins, he will again be cock-a-boop.

Soviet forces attack key Afghan valley

SOVIET paratroopers and commandos are leading the attack against anti-government *guerrillas* in Afghanistan's strategic Kunar Valley near the Pakistani border, Western diplomats said yesterday, AP reports from Islamabad.

Fighting also has broken out near the cepital of Kabul.

Most *guerrillas have pulled* out of the valley to avoid the heavy Soviet air strikes and advancing columns, guerrillas in Pakistan said.

Tha offensive is aimed et *relieving* an army garrison in *the border* town of *Barikot* whicb is besieged by guerrillas and at sealing the Pekistani border to prevent supplles destined for guerrillas from crossing it.

Japan's electronic output growing by 9.2% a year

BY RAYMOND SNODDY IN OSAKA

TOTAL ANNUAL output of the Japanese electrical and electronics industry could top Y32,000bn (£100bn) by 1987.

The average annual growth rate from 1983 to 1987 will be 9.2 per cent a year, according to market research by Matsushita Electric, the world's largest consumer electronics company. But the overall average hides dramatic changes in the fortunes of different sectors of the industry.

Consumer electronics, which Matsushita increasingly sees as *a mature market*, will have an average growth rate of only 3.4 per cent o year. The main growth will come in industrial electronics — 14.1 per cent increase a year — and component manufacture, such as semiconductors, at 15.2 per cent a year.

Over the five-year period industriel electronics will account for a total of 43 per cent of the increased outpnt and components 33 per cent. *Consumer* electronics will account for only 10 per cent of the increased prodnction with other areas accounting for 14 per cent.

Matsushita, whose brand names include National and Panasonic, defines industrial electronics as everything from office and factory automation *to personal computers*.

The Matsushita research foresees for the whole Japanese electronics industry a modest slowing down of the overall rate of growth.

India seizes Tamil weapons, says Gandhi

INDIA'S Prime Minister Rajiv Gandhi said yesterday that India bad seized about \$4m worth of weapons being funnelled to Tamil separatist guerrillas in Sri Lanka, AP reports from New Delhi.

"We have pnt a *lot* of pressure on them (the Tamil rebels)," Mr Gandhi said at a *news conference* for American journalists. "We have confiscated a very large amount of weapons. We have *restricted* their activities substantially."

Mr Gandhi would not say *where the arms originated.*

Sri Lanka has accused India of supporting the rebels, who openly admit they shnttle rontinely by speed boat across the Palk Strait

Sabah's Chief Minister faces court challenge

BY WONG SULONG IN KUALA LUMPUR

DATUK PAIRIN KITINGAN, tha ambattled Chief Minister of the east Malaysian state of Sabah, bas overcome a major burdle following last Thursday's vote of confidence ln the State Assembly, but his six-week government still faces enormous political and economic challenges.

The central Government of Prime Minister Marathir Mahammed, fearing a Moslem backlash against *his* own party in the coming elections, has only given grudging acceptance of Datuk Pairin who leads the Christian Kadazans, Sabah's largest racial group. An eruption of racial violence or persistent political instability could invite federal intervention in the form of o declaration of emergency and direct central rule.

Still hanging over Datuk Palrin's head is the legal battle by his rival, Tun Mustapha, the 68-year-old leader of the *Moslem-based United* Sabah National Organisation, who claims he la the rightful cbief minister since he was the first to be invited to form a government by the governor.

One man was killed and four people were *injured in* a bomb explosion in Tanjung Aru in Sabah yesterday, AD-DJ reports from Kuala Lumpur. The explosion was the third in Sabah in 10 days.

Peres eases line on Palestinian negotiators

By David Lennon in Tel Aviv

ISRAEL "will not look too closely into the minds" of the Palestinians wbo take part in peace negotiations as part of o joint team with the Jordanians, Mr Shimon Peres, the Prime Minister *has* declored.

As long as they ore not members of the Palestine Liberation Organisation, or other organisations which subscribe to the Palestine National Covenant, whicb calls for the destruction of Israel, the Premier is willing to meet them across a conference table.

But at the same time the Premier expressed his opposition to the idea, of the U.S. holding preliminary talks, with the joint Jordanian-Palestinian delegation. "The problems are not between the U.S. and Jordan, but between Israel and Jordan," he said.

"Why cross an ocean when you can cross a river? Why sail to Washington when we can meet ten miles from here?"

The *other* members of his Cabinet are less flexible in their response to the new peace initiative from Washington, and this is delaying the formulation of an official Israeli response to the American announcement of its intentions to hold preliminary talks with the joint delegation.

Mr Yitzhak Shamir, the Vice-Premier and leader of the Likud party, *who is visiting London*, had denounced the proposal by Washington to include members of the Palestine National Council in the delegation.

Surprising support for the Liknd position has come from Mr Peres's Labour Party colleague, Mr Yitzbak Rabin, the Defence Minister. During his current visit to the U.S. he *has* also said that Israel would not find PNC members acceptable as delegates in the joint negotiating team.

Tony Walker adds from Damascus: Palestinian groups here have put forward a comprehensive security plan to protect Palestinians in Lebanon and to solve the immediate *problem of* fighting in end around Beirut's refugee camps.

The plan, which includes more than a dozen points, seeks to establish a new framework for a Palestinian presence in Lebanon similar to the Cairo agreement *of 1969 negotiated by* Mr Yassir Arafat, tho PLO chairman, and Lebanese loaders.

U.S. to allow EEC to increase steel tube sales

BY IVO DAWNAY IN BRUSSELS

THE U.S. has finally bowed to pressure from the EEC to allow above-quota sales of special steel tubes urgently needed by the All American Pipeline company for its California to Texas oil pipeline project.

At a meeting in Washington at the weekend, Mr Malcolm Baldrige, the U.S. Commerce Secretary, gave the go-ahead to Mr Willy de Clercq, the EEC Trada Commissioner, for a further 100,000 tonnes of special pipe to be exported to the U.S. to meet demand unable to be met by U.S. producers.

But there still remains some ambiguity as to whether the U.S. has unconditionally withdrawn its threat to link the concession to a conciliatory gesture from the Community, in other talks on EEC steel exports. Officials at the European Commission would only describe the decision yesterday as "useful progress."

The U.S. move does not, however, signal any substantial truce in the hostilities between EEC and U.S. producers. Mr Baldrige made clear in the talks that Washington continues to expect tha rapid opening of new negotiations on the 1982 carbon-steel agreement which allows the Community 5.6 per cent of the U.S. market and expires at the end of the year.

It is understood that the Commerce Secretary did not withdraw earlier threats of unilateral import restraints being imposed in this sector if the Community did not aoon set a programme for new talks. Equally, the U.S. remains determined to include in these discussions revised arrangements for several of the 17 products, inclnding semi-finished steels, that until now have been negotiated outside the carbon steel accord.

M. da Clercq will put tha proposals to a meeting of the committee of member states' permanent representatives to the Community today.

But, though member states are certain to welcome the concession on special pipes, there may be some donbts about the U.S. terms for the new talks. Tensions have mounted considerably between the two sides in recent months over the reluctance of the U.S. to activate the special "short supply" rules which allow the Community to exceed its 7.6 per cent pipes and tubes quota.

Norway wins first oil rig order for four years

BY FAY GJESTER IN OSLO

A RIG charter agreement between U.S. oil company Conoco and two Norwegian shipping groups will give Norway's offshore fabricating industry its first oil rig order for four years.

Conoco has agreed with Sslo companies Laly and Mohn Drilling to charter a Norwegian-built, deep water rig for 18 months, with options for a further 2½ years, starting July 1987.

Laly, which will have a major stake in the rig, and Mohn will announce their choice of building yard in about a month. That contract will be worth around NKr 650m (£58m). Several hundred million kroners worth of sub-contracts for equipment, including the drilling stack, could also go to Norwegian firms.

Oil industry circles see the deal as part of a "charm offensive" being mounted by several multinationalss, before Norway's important 10th offshore licensing round.

The round includes one block —34/8—regarded as the most promising site still to be allocated in tha Norwegian part of tha North Sea. Applications for stakes bave been filed by 22 Norwegian and foreign companies. Awards are due to be announced this summer.

Norwegian yards built a large number of mobile drilling rigs during the 1970s. Over the past few years, however, domestic fabricators have been unable to compete with rig-building yards in Japan and Korea.

British exporters stress role of aid

By Christian Tyler, Trade Editor

BRITISH contracting companies yesterday published part of a confidential dossier designed to convince the Chancellor not to cut government aid for export sales.

The dossier aims to prove that overseas orders won with the belp of public money have a large and valuable spin-off in follow-on orders and in work for UK sub-contractors.

It is the latest shot in a campaign being waged by big exporting companies against wbat they see as lukewarm support in some areas of government, especially the Treasury, at a time of fierce international competition.

The campaign was touched off by publication 18 months ago of a Whitehall economists' analysis of export finance subsidies and trade-related aid, the Byatt report. It severely questioned the economic justification for such support.

Yesterday's documant, sent to Mr Nigel Lawson at the end of April, is in reply to his request for evidence of the follow-on effect. The Byatt report had found no "little or systematic evidence that substantial unsupported follow-on orders to result from contracts won with the use of aid or large export credit subsidies."

In their reply, the companies conclude that in some developing countries the promise of aid at the outset is often necessary even to get to the negotiating tabla for a contract.

Once established in a market, a company needed to demonstrate "from time to time its ability to provide an attractive finance package supported by HMG."

The paper argues that follow-on business is of four kinds: market penetration, wbere the first, aided, contract leads to more orders on commercial terms; reference plants, where new technology is demonstrated to other potential buyers; spares business, often worth as mnch as a quarter of the original contract, and usually paid for in cash; and "cascade benefits," or the work picked up by British subcontractors and suppliers of services like finance and training.

Among the examples given is Balfour Beatty's record in Indonesia, where £15m of aid money over 12 years is said to bave yielded contracts worth £317m, of which the value to the UK was £220m.

China seeks N-plant concessions

BY ALAIN CASS, ASIA EDITOR

CHINA IS looking for further financial concessions from the British companies bidding for an estimated $4bn (£3.2bn) nuclear power plant in Guandong (Canton) province.

Premier Zhao Ziyang told Mr Norman Tebbit, Britain's Trade and Industry Secretary, yesterday that China wanted a price cut on the project as well as better credit terms.

Although the news will come as no surprise to GEC, the main contractor expected to provide turbines and other equipment worth £500m for the plant's conventional island, the last-minute haggling by the Chinese is bound to further delay the signing of the deal.

Premier Zhao is understood to have assured Mr Tebbit that his Government was still keen on awarding the contract to GEC but that it would belp if there were a price cut.

The fact that the message has been delivered by such a high-ranking Chinese official indicates that Peking is looking for a hefty concession from the British side.

The British Government is offering to guarantee an estimated £300-£350m of export credit which would be extended at an interest rata of 9.85 per cent and repayable over 15 years beginning six years after the project's completion.

China has already expressed concern at the rise in British interest rates which would apply to the non-subsidised element of the financial package. Midland Bank are leading a group of banks involved in the syndicated loan.

Officials in Whitehall say that, while the Chinese demands will have to be taken seriously and concessions made, a deal could still be conclnded this summer.

The signing on Monday of an agreement between Britain and China on the peaceful use of nnclear technology will pave the way for signing the deal. France is likely to supply the nuclear island in the project.

Peking acts on foreign exchange

BY DAVID LASCELLES IN HONG KONG

CHINA has embarked on a modest belt-tightening exercise following an unusually large outflow of foreign exchange in the last few months. While this will not affect the broad thrust of its "open door" trade policy, imports of non-essential goods may ba curtailed for a while.

This message, which has emerged from the international monetary conference of the world's top bankers here this week, was conveyed by Mr Wang Deyan, a senior official of the Bank of China, who said there was "much discussion" in Peking as to what should be done.

Tha country'a foreign exchange reserves fell by $2bn (£1.54bn) in the second half of last year to $14.5bn, and Mr Anthony Russell, area manager for China at the HongKong Bank, estimates there has been a further slight fall this year.

This is not a complete picture. Mr Russell says China has about $3bn of gold out of the ground and considerably more underground. It is the world's sixth largest gold prodncer.

China also has a strong capital account which leaves plenty of room for borrowing. But there is clearly a feeling in Peking that things have bot slightly out of control.

Wang Deyan said: "We want to try and warn people not to go too fast." He said China would be importing "less cars, TVs and fridges" and might introduce a tighter system of import permits for foreign trade enterprises.

Bankers here believe that the Bank of China is engaged in a tussle with these enterprises over the use of foreign exchange. Although authority over foreign spending has been decentralised, and wil probably remain so, the bank wants to force enterprises and local governments to stock more strictly to their budgets. The bank itself may also be under pressure from the People's Bank, China's central bank, to manage the country's currency resources better.

"There are a lot of cowboys who have been abusing their powers," said one Hong Kong banker. Like many others here, be is now advising clients who sell to China to ensure that the Chinese enterprises they are dealing with really have the foreign currency before clinshing deals.

Last year China's trada totalled $49.9bn, with imports of $25.5bn and exports $24.4bn. Both this covers all its trade dealings with both the Communist and the non-Communist world. The deficit with the hard-currency area was probably bigger than tha figures suggest.

These figures do not include China's invisible earnings wbicb are large, particularly from tourism. There are also significant capital inflows, details of whicb are not published, so Western analysts are unable to obtain a complete view of China's finances.

This small hiatus in China's rapidly growing trade with the west comes when bankers are weighing up the possible advantages of boosting their presence in the country. About 70 banks currently have representative offices in Peking. But they will shortly be able to hump these up to branches in specified economic zones.

For large banks with an established market in China, the prospects are alluring. Mr Michael Sandberg, chairman of the Hongkong and Shanghai bank, described the bank offices there as mere "listening posts." but said branches could earn profits. Others are not so sure. The chief executive of one of Europe's largest banks, for example, said banks would probably be forced to open branches to match the competition. But be predicted few would make money.

Under proposals issued by Peking two months ago, foreign bank branches would only be able to take on limited deposit and lending busines, mainly in the new hybrid curency which has been proposed for the economic zones: part domestic, part foreign exchange. They will probably not be able to transact business in foreign exchange, which will remain a government monopoly.

Howevar banks must also consider the diplomatic value of showing the flag in China, particularly if Peking increases its foreign borrowing, as seems likely. Despite its desire to rein in import growth, China will, according to Wang Deyan, be seeking new sources of finance abroad.

China has so far tapped the West German and Japanese capital markets, and has, tbroogh Hong Kong, obtained finances for specific ventures such as hotels, infrastructure and industrial projects. But bankers here believe that this is only the tip of the iceberg.

"Everyone is waiting for the other sboe to drop. We expect China to become a major importer of capital," said a U.S. banker.

The growing protectionist maod in the U.S. is one of the gravest threats facing the world economy, leading central bankers said in Hong Kong yesterday. They pnt it higher than the stresses caused by the dollar, or fears of a U.S. economic slowdown which they say looked premature writes David Lascelles.

The heads of the central banks of the UK, West Germany, Switzerland and Belgium, and the President of the Federal Reserve Bank of New York said, wben they appeared jointly on a panel before the International Monetary Conference that it was essential to resist protectionism.

Mr Gerry Corrigan, the President of the New York Fed, said: "Protectionism is not an answer to anything."

Mr Corrigan said that cven thougb statistics pointed to a slowdown in U.S. economic activity, the pattern of demand was strong and so was the prospect for real growth. He cited the housing sector as an example of rising output. The trouble was a good part of the demand in the economy was being met by imports though he denied that this made a case for import curbs. There was a limit to how far the U.S. trade deficit could deteriorate further.

The central bank officials also said that the recent weakening of the dollar had eased tbeir problems on the foreign exchange markets. Herr Karl Otto Poehl, President of the Bundesbank, described exchange rates as "in much better balance."

Impresit wins second Nigerian contract

By James Buxton in Rome

IMPRESIT, THE construction arm of Italy's Fiat group, has been awarded a second large contract in Nigeria in the space of three weeks.

It is to build a water supply and distribution system for the city of Sokoto in the far north west of the country. The value of the contract is more than L200bn (£79m), of which some 80 per cent will consist of goods and services supplied from Italy.

Last month Impresit announced a L270bn contract to build a dam and irrigation scheme in the state of Katsina, also in northern Nigeria.

The new contract is to be financed by a combination of the Sokoto state government, the Nigerian Federal Government and a group of Nigerian banks. Impresit will guarantee the export credit for the export of goods and services from Italy, though the cost will be carried by the Nigerian Federal Government. The project is to be completed in three years.

Japan group in Caribbean deal

By Canute James in Kingston

KAJIMA OF Japan has been awarded a $34.1m (£26.4m) contract to instal capacity at the Caribbean Cement Company in Kingston.

It is the second contract the company bas acquired as part of Caribbean Cements 90m expansion programme. Kajima bad earlier started constructing two 6,500 tonne storage silos for $4.3m.

Kier International of Britain bas won a $2.5m contract to build a power station for the cement plant.

EEC urges Japan to promote imports

THE European Community has called on Japan to stimulate domestic demand and to take "quick, specific and effective" steps to promote imports, *AP reports from Tokyo.*

The EEC warned of "the urgency" of the need for reduced trade tension between it and Japan. The Community's annual trade deficit is over $10bn (£7.75bn).

UK NEWS

Why Sir Freddie seeks more than a cash recompense

BY DUNCAN CAMPBELL-SMITH

ANYONE with an ear cocked for news of a final settlement to the great legal battle over Laker Airways will have noticed a deafening silence since early last month.

British Airways (BA), on behalf of itself and 11 co-defendants including nine other international airlines, formally offered almost $65m on May 7 to settle a civil anti-trust case brought against them in the U.S. Federal Court in Washington.

Nearly four weeks later, the wrangling continues. The plaintiff in the case – Mr Christopher Morris of accountants Touche Ross who is the liquidator of Laker Airways – has been unable to accept BA's offer on behalf of all the Laker Airway's creditors who seek to recoup all or part of their loans to the failed airline.

The striking thing is, however, that of all the reasons for this impasse, hardly a single one directly concerns Mr Morris or the creditors themselves.

Official transcripts have been released by the Washington court of the last two big meetings held between all the various parties, on May 8 and May 30. It is difficult to read them without feeling a twinge of sympathy for the harsh logic of the Shakespearean mob: "The first thing we do, let's kill all the lawyers".

Most of those involved appear to agree that, in Mr Morris's words, "a major factor in preventing the matter being settled" is the question of lawyers' fees. Or, to be more precise, the question of how much should be paid to Mr Robert Beckman, the U.S. counsel representing Mr Morris.

The proposed settlement would give Mr Beckman $8m. His first response to this was that it did not constitute a proper offer because it was not negotiable. Judge Harold Greene, presiding over the case, took a dim view of this on May 8: "If the money is not enough, it is not enough. If it is enough, it is enough. It doesn't make any difference whether it is negotiable."

To which Mr Beckman promptly replied that it was not enough. He was referring technically to the whole $65m settlement; but, as the judge made very clear, it boils down to Mr Beckman's fee since both the Laker creditors and Sir Freddie Laker himself – who has also been offered $8m – are now in agreement with the defendants about the figures on offer.

Mr Beckman has stuck to the figure, despite the apparently incredulous response of many other parties to the dispute. But his fee is not the only barrier to a settlement.

There are a number of other legal points which are still causing problems. For example, the defendants' insistence that the final package must win the complicity of Laker Airways' ultimate shareholders means that approval for its terms has to come from Mrs Joan Laker. Now divorced from Sir Freddie, she was his first wife and held 10 per cent of the equity – but her position is still unclear.

Also shrouded in confusion is the situation of Lonrho, Sir Freddie's 50 per cent partner in a small company set up since Laker Airway's collapse. The defendants in the anti-trust suit want assurance that no claims will subsequently be brought against them over any of Sir Freddie's affairs – before or after the collapse.

Sir Freddie says he cannot answer for Lonrho or its feelings about their joint venture, which Sir Freddie claims collapsed in 1982, "and (in) which again some of the defendants were involved."

Another difficulty has concerned the future of all the hundreds of documents generated by the dispute, including material "discovered" from the defendants under the due process of U.S. law. The airlines want them all returned, with no public disclosure whatever.

Mr Beckman has objected to this with some colourful arguments. He has variously contended that such action might involve him in a breach of U.S. legal ethics and that he could endanger the future existence of his whole practice, which has specialised in aviation law for many years. Neither point seems to have cut much ice with Judge Greene.

Sir Freddie's own objection to returning all documents has been at once more straightforward and more passionate. The result, he said on May 30, would be that he "would be unable effectively to write my own memoirs ... I do want the creditors paid and I do (sic) and my dearest wish, of course, is that the truth be told because I want that information myself and I want it for a young man seven years of age, Freddie Laker."

As such references to his son might suggest – not to mention some passionate words about the price of his soul and integrity – Sir Freddie is looking for rather more in any settlement than financial retribution. And satisfying Sir Freddie is proving, with Mr Beckman's fee, to be the other key obstacle to final agreement.

"I am a simple person, all I want to do is go back into my trade and I want some undertakings from it," said Sir Freddie last week. But some of his undertakings are more simple than others. For example, he wants the right to free tickets on all the airlines for himself, his wife and his son. (In fact, they have been getting free passage on BA, at least, for the past several months).

But Sir Freddie wants two other concessions. In the jargon of the settlement negotiations, these are referred to as "warmth." That is, he wants a warm reception from the industry if and when he attempts to re-enter it. He wants the other airlines to accept certain obligations to provide him with services and facilities in line with what they give to each other. Above all, perhaps, he wants some kind of commitment that the industry will refrain from any future discrimination against him.

Not only do these requests jar with some of the co-defendants' private feelings about their former adversary; they look to some of them like the groundwork for future litigation. "It is difficult to contract in advance," as the BA counsel has put it, "as to how we will deal with a company which may not yet even exist..."

Ironically, perhaps, it has always been the defendants rather than the plaintiff who have involved Sir Freddie in the case at all. He is not a direct party to Mr Morris's suit. Indeed, Mr Beckman last week proposed, as an alternative to a total settlement, that Sir Freddie simply be excluded from a deal between the liquidator and the airlines.

But the airlines appreciate only too well that this could leave them $48m poorer and still facing litigation from Sir Freddie – himself represented by the irrepressible Mr Beckman.

It is small wonder that Judge Greene has been asked to help the parties resolve their problems, in another round of closed meetings.

Pilkington redundancy bill £31m

BY IAN RODGER

REDUNDANCY CHARGES at Pilkington Brothers, the leading UK glassmaking group, will rise to £31m in the next two years. The group has already spent more than £80m on reducing its British workforce in the past five years.

It has been widely assumed, especially since the £104.8m rights issue last December, that Pilkington's redundancy charges were on a downward trend.

However, Mr Antony Pilkington, the chairman, said in an interview yesterday that the group had identified all the positions it needed to eliminate to make its glass and fibreglass plants among the most productive in the world. "So we have decided to have one last big push to persuade people to go. Then we will be finished."

The group publishes its preliminary financial results for the year to March 31, 1985 next week, and will indicate that redundancy charges will amount to about £20m this year and a further £11m next year. Pilkington has halved the 18,000 workforce at its main manufacturing base at St Helens on Merseyside in the past five years, but a further 2,000 jobs are to go.

UK NEWS

Salomon in Japanese equity move

BY GEORGE GRAHAM

SALOMON Brothers, the U.S. investment bank, is to expand its Japanese operations by moving for the first time into Japanese equities.

It is building a team at its London branch to research and distribute Japanese equities in Europe and eventually in the U.S.

Salomon has had an office in Japan for five years and this became a full branch three years ago. Although branch status would have given Salomon lower commission rates for dealing on the Tokyo Stock Exchange, the company's involvement has been predominantly in fixed-interest securities.

Its client base in Japan has been mainly government agencies and banks, but without the ability to offer equity financing it has been cut off from much of the industrial corporate finance market.

Salomon has therefore recruited Mr Christopher Mitchinson and Mr Nicholas Bedford, repectively director of research and director of Japanese sales at the Hong Kong-based stockbroker W. I. Carr, Sons and Co (Overseas).

They will form the nucleus of a team of 10 or 12 researching selected Japanese industries and distributing Japanese equity issues. The research operation will be based in Tokyo.

Other U.S. firms, including Merrill Lynch, Goldman Sachs, Morgan Stanley and First Boston, are making markets in Japanese stocks. So is Rowak, the securities group formed by the UK merchant bank S. G. Warburg.

Mr Charles McVeigh, managing director at Salomon in London, said the group would concentrate initially on building a strong research and distribution operation.

Warning over 'footloose funds'

BY PHILIP STEPHENS

SPECULATIVE capital flows have now become the principal influence on foreign exchange rates, leaving central banks and international institutions often powerless to influence events in capital markets, Mr Denis Healey, the Labour Party's spokesman on foreign affairs and a former Chancellor of the Exchequer, told the FT Foreign Exchange 1985 conference yesterday. This trend held out substantial risks for both industrialised and developing nations, he added.

He traced the current volatility of exchange rates to the parallel development of economic policies which focused entirely on the control of inflation and on the revolution in financial markets, which had led to the collapse of internal and external barriers.

The result, he said, was "an atomic cloud" of footloose funds which investors were reluctant to commit to real economic development so instead shifted in and out of different currencies and financial instruments.

Estimates from the U.S. suggested that speculative capital flows amounted to $50,000bn a year, compared to the $2,000bn needed to finance world trade.

FINANCIAL TIMES
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Money was now a commodity whose asset price was completely divorced from its underlying stream of income. Investors bought one or other currency not because of their view of its intrinsic worth but because they hoped to sell it at a profit, he said.

The danger, he added, was that banks and other financial institutions were taking increasing risks in an environment which they did not fully understand.

That could lead to further problems as central banks were forced to rescue those institutions – as had already happened with Continental Illinois and a number of savings institutions in the U.S. and Johnson Matthey in the UK.

Mr Healey also underlined the difficulties faced by developing countries in coping with the present economic and financial environment. The "band-aid" approach to Third World debt could not last indefinitely, he said.

Other speakers at yesterday's final sessions of the two-day conference focused on the growing range of hedging instruments available to corporate treasurers to reduce or eliminate currency risk from their business operations.

Several, including Mr Graham Steward of Hambros Bank, Mr Mike Bryant of Hertz Europe and Mr Gary Seelinger of Merrill Lynch International Bank, highlighted the potential offered by currency options.

Options, which are now freely available on an over-the-counter basis in most financial centres, offer the opportunity to cut out currency risk while preserving the potential for gains, though at the cost of an initial premium.

Mr Henry Hubbe, the president of the U.S. forecasting company, International Treasury Consulting Inc, spoke on the technical analysis for day-to-day currency management.

Technical forecasts, which are based on mathematical analysis of past movements in the foreign exchange markets rather than on a projection of future economic trends, had achieved a better track record than more conventionally-based predictions.

But though it had proved more reliable than other methods, and was demonstrably better than tossing a coin, it was generally right only around 55 per cent of the time.

Mr Emilio Giacomotti, a vice-president at Citibank, outlined the advantages for corporate treasurers of centralising their treasury and foreign currency operations.

Centralised control and co-ordination of currency management provided flexibility in hedging risk and minimises the costs in operating companies. There was also a case in some businesses for the establishment of a separate company, established offshore under a favourable tax and regulatory framework, to act as the central point for all cross-border cash flows, he said.

Finally, Mr Timothy Lyons of Credit Suisse First Boston, commented on the potential for currency swaps to cope with exchange rate volatility.

Lloyds gilts unit head appointed

□ LLOYDS BANK has recruited Mr Robert Openshaw to head its new gilts (government stocks) dealing subsidiary. Mr Openshaw is a partner of Wood MacKenzie and Co, the Edinburgh-based stockbrokers.

Lloyds said that Hill Samuel, the merchant bank that intends to take over Wood MacKenzie once Stock Exchange rules permit it, has agreed to release Mr Openshaw from his contract with them.

The Lloyds gilts dealing subsidiary, part of its merchant banking division, is expected to become operational next year.

□ INCREASED numbers of employees were relocated by their employers in 1984, according to a survey published by Merrill Lynch Relocation Management International. It found that British industry and commerce had difficulty in estimating all the costs associated with relocation.

"Some companies, even admit to a lack of control in important areas of their relocation policy," it said. Relocation among leading British companies grew by 20 per cent last year, the survey said.

□ THE B&Q do-it-yourself chain, part of the Woolworth group, is the fastest growing multiple retailer in any sector of the retail trade, according to a survey of the DIY market in Britain.

The survey, carried out by Verdict market research company, gives B&Q a 17 per cent share of the market which has total sales of about £1.8bn a year.

UK NEWS

British Nuclear Fuels in court on charges of radioactive pollution

David Fishlock, Science Editor, reports on the start of a trial arising out of the contamination of beaches in north-west England in 1983 by the Sellafield processing plant

BRITISH Nuclear Fuels (BNFL) is to appear at Carlisle Crown Court today on criminal charges arising from events at its Sellafield factory in Cumbria, north-west England, in November 1983, when radioactive flotsam washed up on nearby beaches.

The trial, expected to last until August, will test the practicality in law of the pollution control principle known as Alara – "as low as reasonably achievable."

The six charges brought by the *Director of Public Prosecutions* (DPP) relate to the latest in a series of highly publicised "leaks" of radioactivity at the factory, and the first to impinge upon the public.

Its occurrence coincided with a Yorkshire Television documentary alleging that plutonium leaking from the factory was responsible for a high incidence of child leukaemia in the neighbourhood, although a government medical inquiry last year failed to substantiate the allegations.

BNFL is a state-owned company with about 15,500 employees, providing international nuclear fuel services. It had sales of £480m in 1983-84, of which exports accounted for £91m, and made an operating profit of £125m. It was formerly the production division of the UK Atomic Energy Authority, until hived off in 1971 as a separate trading company. Its shares are held by the Department of Energy.

The Sellafield factory is its biggest operation, engaging about half its workforce. It reprocesses spent fuel from nuclear power stations, recycling the unburnt uranium and plutonium and separating and storing the radioactive wastes.

It also has a military role as the source of plutonium metal for Britain's nuclear weapons.

The factory is permitted to discharge slightly radioactive liquid effluent into the Irish Sea, containing alpha (plutonium) and beta activity up to levels laid down by the Government.

BNFL faces two charges under the 1960 Radioactive Substances Act, and four under the 1965 Nuclear Installations Act. They are that it allegedly:

1. Discharged highly radioactive matter and liquids into the sea "to such an amount and at such a rate that radiation exposure ... was not as low as was reasonably achievable."

2. Allowed highly radioactive material to enter a transfer pipe to a sea discharge pipeline without ensuring "so far as was reasonably practicable" that there was adequate means of preventing it having to be flushed to sea, should it become lodged in the transfer pipe.

3. Discharged highly radioactive matter and liquids to sea and failed to ensure "that any person in the vicinity of the end of the discharge pipe or using adjacent waters" knew of the risk, and hence that it failed to "take all reasonable steps to minimise the exposure of persons to radiation."

4. Failed to keep adequate records of its operations.

5. Failed to keep on-site adequate records of the amount of all radioactive materials stored or accumulated.

6. Failed to keep records of radioactive material discharged to sea.

The first two charges are the serious ones. The third was added three months after the DPP announced the other five charges last August. The remaining three relate to relatively minor technical offences.

At no time during this or the earlier "leaks" did the emissions exceed those authorised at the time by the government departments that regulate the activities of Sellafield.

The first two charges, under the Radioactive Substances Act, are seen as testing the Alara principle for limiting radiation doses from nuclear activities. Alara was first applied to Sellafield's activities as recently as February 1983 – the year of the leak.

The certificate of authorisation at the time of the leak called upon the company to "limit the amount of radioactive elements discharged and the rate of their discharge such that radioactive exposures are as low as reasonably achievable and shall use any means that may be approved for that purpose by the Minister."

Published correspondence between Prof Paul Matthews, chairman of the Environment Department's radioactive waste management advisory committee, and Mr William Waldegrave, the Environment Minister, last spring indicates that the committee had found the Alara principle flawed and inadequate for Sellafield.

Instead, it recommended Alarp – "as low as reasonably practicable." The difference is that Alarp has the benefit of a body of UK case law behind it, drawn from non-nuclear fields.

The upshot is that the Government's latest certificate of authorisation for the discharges of radioactive effluent from Sellafield, dated January 1, 1985, requires that the factory shall fulfil both principles, Alarp as well as Alara.

The latest certificate of authorisation also introduces a factor not present previously, namely limits to the discharge of solid radioactive particles – "crud," in the industry's jargon. The Cumbrian beaches were contaminated with particles of radioactive material flushed from the reprocessing plant after maintenance operations.

No one was harmed by the events that followed, which resulted in a very low level of contamination of the beaches. But, as a precaution, the public was advised not to use the beaches for six months afterwards.

The factory is commissioning three new facilities this year, costing a total of £490m, all designed to reduce the amount of discharge

UK NEWS

Mercury in telecom deal with AT&T

By Jeson Crisp

MERCURY Communications, thn fledgling telephone network, has reached an agreement with American Telephone and Telegraph (AT&T) to provide telecommunications links between the U.S. and the UK.

The deal is a useful boost to Mercury because of AT&T's prestige as the largest U.S. telecommunications company. In the longer term, the agreement may lead to substantial revenues. Initially, it is not likely to result in a substantial increase in business as Mercury already has agreements with 11 North American telecommunications carriers.

AT&T and Mercury will offer private leased circuits via satellite between the two countries for both voice and data communications. The potential for transatlantic business increases significantly next year when Mercury's first exchanges come into operation.

Once the exchanges are working it will be possible to dial customers in each country. Mercury, a wholly owned subsidiary of Cabla and Wireless, is building n high-capacity trunk network between the big cities in England and is offering point-to-point private circuits.

Its business is expected to grow substantially once it is possible to dial customers and after the Mercury network is connected to British Telecom's.

Mr Gordon Owen, managing director of Mercury, commenting on the deal with AT&T, said: "This is a significant undertaking for both companies. It provides us with access to the wide variety of AT&T's telecommunications services and the many international customers who use them. It will also mean AT&T will be able to provide more choice for customers doing business in the UK."

British Gas offer will have 'huge appeal'

By Dominic Lawson

SHARES in privatised British Gas Corporation will be of "enormous appeal to investors", according to a report by stockbrokers Fielding, Newson-Smith.

Fieldings argue that British Gas's privatisation might be as fundamental to the oil and gas equity market as British Telecom's privatisation was to the electronics sector.

The arrival of British Gas in the oil and gas equity market will prompt "a massive change in investors' reactions to the sector", the brokers argue. For the first time, they claim, there will be a credible alternative investment to either British Petroleum or Shell (which currently constitute 82 per cent of the UK oil and gas equity market).

The report claims that, unlike Shell and BP, "British Gas is insulated from a fall in the oil price, a quality which should be of enormous appeal to investors at this stage in the oil cycle. Given these strengths it is impossible to imagine that there will not be an enormous appetite from institutional investors seeking a more balanced energy portfolio than is possible at the moment."

A less effusive reaction to the privatisation of British Gas came in a report by broker L. Messel. It points out that "talking about a value for British Gas at this stage is quite misleading" until the Government has made n number of key decisions. In particular, the report says that decisinns about the future tax regime for British gas and government control over its selling prices have yet to be made.

Union likely to move towards acceptance of labour laws

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRADE UNION compliance with the Conservative Government's labour legislation is likely to be accelerated today when Britain's third largest union, the General, Municipal and Boilermakers (GMBU), is expected to take its first overt step towards accepting the law.

The GMBU's annual conference in Blackpool is set today to approve a special resolution, proposed by the union's executive council, which will establish a wide-ranging review of thn union's internal procedures, including its elections.

Such a move by the GMBU, a key union in the political centre of the Trades Union Congress (TUC), would be likely to herald a significant shift in the TUC's formal policy of blanket opposition to the Government's employment and trade union laws.

Leaders of the GMBU have proposed that the TUC should convene a special conference on its standing labour law policy, but they have qualified their point by saying that the conference ought either to reaffirm or review the TUC's stance.

The outcome of today's expected GMBU conference decision will clarify the union's stand on this key issue.

The GMBU executive's resolution states specifically that there should be no "immediate" changes in the union's rules in order to comply with the Trade Union Act 1984, which requires secret ballots for the election of union executive members and voting officials.

But the executive is recommending the establishment of a review with the aim of bringing forward specific rule changes to the union's annual conference next year on a range of issues, including those covered by the Act. It proposes:

- Reviewing in time for internal elections in 1987 the union's present indirect method of electing regional executive members, which will be unlawful under the 1984 Act.
- Looking at the number of regional lay places on the executive.
- Examining the position of both the union's general secretary and his powerful regional secretaries.
- Studying the position of executive members from the old boilermakers' union, which the GMBU took over three years ago.

Telecom faces pay disruption

BY DAVID GOODHART, LABOUR STAFF

BRITISH TELECOM (BT) faces the prospect of a summer of disruption over pay after yesterday's rejection of a 6.75 per cent offer by thn annual conference of the National Communications Union (NCU).

NCU delegates, representing the bulk of the 135,000 engineering grade staff, gave their executive authority to call industrial action, but rejected by about two to one a more specific call for n national overtime ban from August 1.

BT's first pay round since privatisation was always likely to be difficult. In accordance with market philosophy and the company's healthy profits, union negotiators had been expecting a reasonably high pay offer, but with unacceptable flexibility conditions.

Although the offer was raised from 5 to 5.8 and now to 6.75 per cent, it has since been overtaken by the 6.9 per cent Retail Price Index (RPI). Mr Derek Porter, director of personnel, wrote to the union after the last meeting emphasising that the RPI was only onn factor in negotiations. He said the index was forecast to fall from midsummer.

However, a rise in RPI has obviously come at a bad time for BT and many nther negotiators will be watching with interest this first major negotiation using the new figure.

Intex to seek $5m funding

By Alexander Nicoll

INTEX, the Bermuda-based automated futures exchange which began trading last October after several years of delays, is seeking $5m from British investing institutinns to fund the introduction nf new contracts.

The exchange was conceived as a revolutionary alternative to the traditional method of trading futures contracts through open outcry in market "pits".

The Intex computer in Bermuda matches buy and sell orders inserted into terminals in the offices of members. Although the membership total is much higher, 42 are hooked up to thn system so far in the U.S. and the UK.

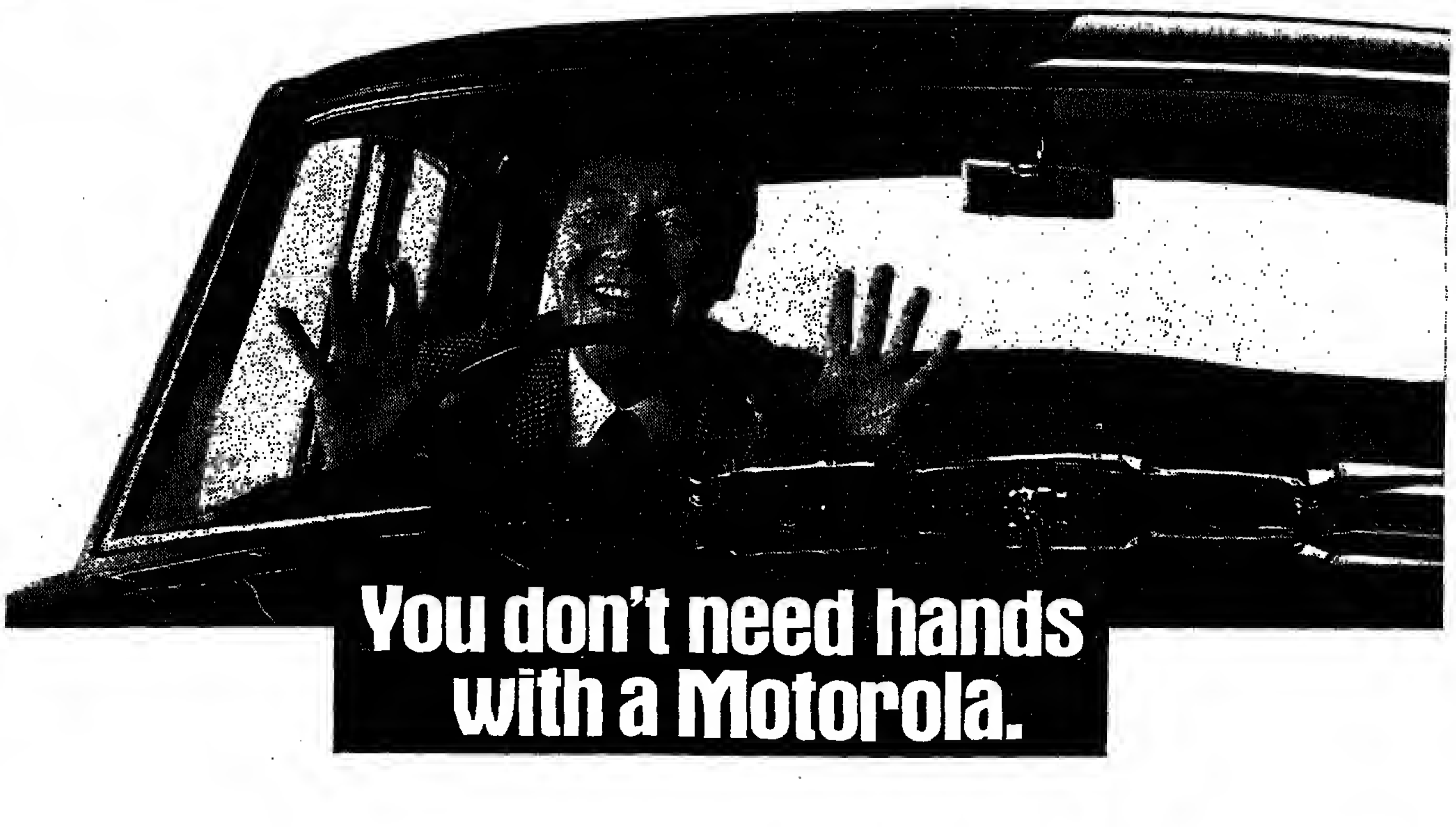
Intex had a disappointing start, with a gold contract identical to that traded actively on the New York Comex generating daily volume of only about 200 lots, despite incentive schemes designed to stimulate business.

Freight rate index futures, begun in May in conjunction with London's Baltic Exchange, have had a more promising start. Greater hopes, however, are pinned on a U.S. stock index developed by Financial News Nntwork, an all-day U.S. cable televisinn channnl. Intex also plans this year to trade futures on zero-coupon U.S. treasury bonds.

With volume still very low and a system that can handle 70,000 trades an hour, Intex is seeking other ways to achieve profitability. It does not expect to make profits until 1987.

Security Pacific, the U.S. West Coast commercial bank, has agreed to lease the Intex system to create a market which is believed to be in its own securities. The Montreal Stock Exchange has also agreed in principle on a leasing deal,

Mr David Graves, Intex chief operating officer, said yesterday that additinnal money – on top of $9m spent on the system's development – was needed mainly to advertise and promote the new contracts.



Shipping

Why Singapore's flagship is in need of repair

BY CHRIS SHERWELL

EARLY last year, Sim Kee Boon was approaching retirement but, at 54, did not want to stop working; as departing head of Singapore's prestigious civil service he obviously had a lot to offer. His masters agreed, but whan they asked him to take over the helm at Keppel Shipyard, be had little idea what he was letting himself in for.

Keppel is the government's industrial flagship—the historic foundation from which Singapore's worldwide reputation as a ship/rig builder and repairer grew—and one of Singapore's largest publicly-quoted companies. It owns 82 per cent of another public company, Straits Steamship, and 62 per cent of a third, Far East Livingston Shipyard. Since 1983 it has been in desperate trouble and is awash in a tide of red ink. As he tries to repair the damage Sim Kee Boon is *now* a wiser man.

His efforts underline how, in Singapore at least, a civil servant with no specialist experience can take business decisions, provided he has the right professional support and *strong backing from the government.* The past year also says something about how a newly-industrialised country copes, belatedly but firmly, with a severe reversal in a successful bnt highly competitive business.

Last year the group reported an attributable *loss* for 1984 of S$174m (£62.3m), probably the island state'a worst corporate result ever; Straits Steamship, known locally as Steamers, *showed a S$29m* loss. *Sim,* however, is looking for a return to profit in the next two years and — tough decisions taken — is already turning his attention to the wider problems of tha whole ship/rig building and repair sector.

On taking over as executive chairman last May, Sim's main priority was to pick up the pieces after the controversial, ill-conceived and highly expensive *S$500m takeover of Straits* Steamship from UK-based Ocean Transport and Trading the previous year. Steamers had already decided to get ont of a costly Western Australian mining venture, but that was just the start.

In two *major* decisions *last* year, he sold a majority stake in Ben & Co, Steamers' persistently loss-making, pnblicly quoted subsidiary, and he abruptly *terminated* a year early the company's disastrous three-year time charter on the cruise ship "Princess Mahsuri."

In taking these steps, the *Government's backing was im*portant, but also intriguing because Singapore's style of state intervention in the economy has probably been unique in the world. For where it has decided to get involved in an *activity* the *private sector* has shunned, the Government typically appoints civil servants as professional managers, and gives them the latitude any businessman would need to pursue commercial objectives. For Keppel the objective, even now, *remains the same,* but the decisions have been so difficult that shareholder-backing bas been crucial at all stages.

Sim is empbatic that there was no alternative to bis surgical approach to Keppel's problems. "If we bad done it gently, it would have caused even more uncertainty," he says, an indication of the concern felt by the government shareholders.

The Ben disposal brought an extraordinary gain of S$13.1m and *left Steamers with a handy* 16 per cent stake in QAF, which had bought Ben in a reverse takeover to produce the first public listing for a Brunei-controlled company. The cost of breaking the charter contract was a cool S$12.7m, but Sim went further, writing down the book value of some offshore and coastal vessels as well.

WHEN Sim Kee Boon (above) arrived on the board of Keppel Shipyard in February 1984, *its takeover of Straits* Steamship the previous year already looked like a mistake. His move, and especially his ascendancy to the new post of *executive chairman* in May, confirmed that this was how the government saw it too.

The porchase from Ocean *Transport and Trading* valoed Steamers at $500m and was ane of Singapore's biggest-ever corporate takeovers. Initially it won applause, hnt when the scale of Steamers' problems emerged and it was realised that Keppel bad paid *far too much, George* Bogaars, chairman for 14 years, was axed and one af the advising banks, Jardine Fleming, was nnceremoniously kicked out of the country.

Sim admits that he had no specialist qualifications to take over Bogaars' job, but his career as a civil servant since be *graduated with a* B.A. in 1953 bas followed classic Singapore lines, and has thus been *peculiarly relevant.*

After rising to permanent secretary level in the Ministry of Finance, he was seconded in 1968 to start up Intraco, the government-controlled trading and manufacturing corporation. For eight years he had the experience of running a state company.

From Intraco, Sim moved to the Ministry of Communications, where he undertook the task by which people most readily identify him—masterminding *Singapore's new* international airport. He became head of the civil service in 1979.

Sim spends a day a week in the Straits Steamship building in the heart of Singapore's business district, and another morning at Far East Levingston, the other quoted subsidiary. The rest of his time is passed at Keppel in the dock area, except far Saturdays, which be spends at the airport because he is now head of the Civil Aviation Authority and of Changi Airport Services.

On Keppel's future, be is quite explicit. "Our core businesses will not change, our decisions so far give us a *fresh start. But our strategy is to survive and prosper,* so we must rationalise and diversify. *The really difficult* decisions are yet to come."

	KEPPEL SHIPYARD (S$m)		STRAITS STEAMSHIP (S$m)	
	1984	1983	1984	1983
Turnover	808	667	226	265
Operating profit (loss)	78.2	35.1	(2.2)	12.2
Pre-tax profit (loss)	5.4	28	(14.4)	3.9
After-tax profit (loss)	(20.1)	17.0	(23.1)	(8.5)
Extraordinary items	(145.5)	69.2	(5.75)	(5.4)
Profit (loss) attributable to shareholders	(174)	80	(28.8)	(14)

According to Steamers' figures, discontinued operations in 1984 resulted in a S$15.8m outflow of funds, but Sim says the company will return to profit this year. It is a view disputed by broking analysts, but no one doubts there will be an improvement on 1984, when turnover was off 14 per cent and losses more than doubled.

Still tougher decisions have been necessary at Keppel, however. The most important was an even larger-scale ship revaluation than carried out at Steamers, *so that together they* resulted in a S$131m cut in value. Sim says he'd like to sell off some ships in the next two years to generate additional cash and reduce Keppel's debt and interest expenses, but be saya there will be no distress *selling* and *he will hang* on to them if necessary.

In an unusual move by Singapore standards, Keppel executives decided to dampen the shock of the resulting S$174m loss by addressing special meetings of brokers and bankers just before it was announced. In a separate special statement, Sim declared *forthrightly*: "*I carried* out the revaluation exercise with the full knowledge of its impact on gronp accounts. I have decided that it is better to bite the *bullet now* rather than spring unpleasant surprises in the future."

Keppel's debt problem, largely the result of borrowings to finance the Steamers takeover, also demanded correction, and under Sim, total borrowings have been reduced from S$845m at the end of 1983 to S$679m at end-1984. Last year the group's net interest hurden of S$71.3m almost obliterated a S$78m operating profit. Taxation on the latter dragged the gronp into loss even before extraordinary items like the revaluation.

Moves to reduce the interest hurden included a one-for-two rights *issue* to *raise* S$155m in mid-1984, the issue of US$100m commercial paper in the U.S. and a S$100m revolving underwriting facility in Singapore, the first in Singapore to be denominated in the local currency.

Sim has sought by these moves to transform Keppel group's financial structure—currently only 29 per cent of debt is short term and a greater proportion is fixed-rate financing. The balance sheet should be even bealthier in the next 12-18 months, he says.

Where does the group go from bere? The answer, says Sim, is two-fold. One, find business abroad. Two, rationalise at *home.* Work is going ahead rapidly on both, with the opportunities offered by China generating the most excitement.

Steamers, wbose principal business is now property (currently a weak market) bas, through its OIL (Asia) subsidiary, an agreement with Gladbover of Hong Kong to manage the port *and* supply base at Zhuhai, near Macau. Far East Levington is a partner with other Singapore groups in a nine-company consortium working at another base in Chiwan in Shensben province, and is also investing in a maintenance and repair facility there.

Last year Levingston was the group "cash cow," but with two oil rigs and a crane vessel completed and a jack-up capable of withstanding the worst environmental conditions under construction with U.S. and French partners but lacking a firm order, it now faces a soft year.

Beyond this—and in a pointer to the co-operation in prospect at bome—Far East Levingston and Singapore's other major government-controlled yard, Sembawang Shipyard, are doing a survey for a possible fabrication facility to build production platforms and jackets in Tianjin. The two are also boping to set up ship-repair yards with Chinese partners in Qingdao and Shanghai.

"China is opening up, physically and mentally," says Sim. "The *market is there.* We have the skills, and we are small, posing no threat. We also share cultural valnes. But China cannot be our salvation. We must look elsewhere too."

Accountancy

Push for greater compliance with international standards

BY BARRY RILEY

"EVERY accounting body which is a member of the International Federation of Accountants is constitutionally required to use its best endeavours to have our standards compiled with," says Scottish accountant John Kirkpatrick, who has just taken over the chairmanship of the *International Accounting* Standards Committee.

In practice, though, getting 900,000 accountants—the total membership of all the worldwide accountancy bodies affiliated to the IASC—to agree is a formidable task. Only in Canada do listed companies formally acknowledge that they conform with IASC standards. In Britain there is still a reluctance to do so, partly on *the grounds* that British companies are often unwilling to comply with tbe tough standard on disclosure of segmental data.

Breakthrough

But in the U.S., Kirkpatrick points to the recent recognition of *international standards* in the annnal report of General Electric as amounting to something of a breakthrough. "It's a very encouraging sign," be suggests.

GE's recently pnblished annual report contains a statement of financial responsibility which specifically acknowledges that its financial statements are *consistent* with *standards* issued by the IASC.

In one *sense* this is a statement of the obvious, since any company which complies with U.S. generally accepted accounting principles—as any U.S. listed company must—automatically conforms to international standards too.

But the IASC needs the specific backing of major international *companies* if it is to enhance its prestige, and they bave proved slow to make a GE-type commitment.

John Kirkpatrick is disappointed that more companies "haven't yet seen the desirability of making that statement to an international audience." But be regards GE as the best kind of supporter, because it is regarded as a leader in financial reporting.

Nevertheless ha considers that the U.S. may not offer the most important potential. "In some ways the fastest progress could be in the developing countries," he argues, mentioning nations such as Nigeria and Singapore. "A number of these countries are seeing the necessity for accounting standards nationally. Compared with developing their own, our standards give them a generation jump."

Kirkpatrick has clearly defined goals for his 2½-year term as chairman of the *IASC.* "We've got a number of specific things to do and one of them is to fill in the last few building blocks."

Major projects under way include proposed standards on reporting by pension plans, on value added statements and on bank disclosure. Already the IASC *has tucked 24 accounting* standards under its belt, which means in addition a continuing programme of revision and refinement.

At 57, *Kirkpatrick's curriculum vitae* reveals a long list of influential posts, including the former presidency of the Scottish chartered accountanta and the current chairmanship of Thomson McLintock of Scotland.

His own firm has just re-emphasised its international commitment by changing its name to KMG Thomson McLintock, and Kirkpatrick comes to the IASC appointment backed by the experience of a five-year stint as a board member up to 1983.

The IASC bas sometimes been attacked for being too Anglo-Saxon oriented, but Kirkpatrick fiercely denies this.

"The board consists of 13 countries, each with a vote, and the work of preparing the standards is remitted to a steering committee, usually of four people drawn from different countries. To date, over 30 countries have participated in the development of *these standards.*"

He accepts, however, that there are difficulties with Continental Europe, notably in West Germany where there are problems "because of the law, which governs the whole question of disclosure and measurement." Countries such as Spain bave so far shown comparatively little interest in international standards.

It *is* impossible in practice for the IASC to diverge far from standards applied in the major industrial economies, notably the U.S. So Kirkpatrick acknowledges that when the IASC formulates International standards "we walk along a tightrope."

"What we do universally is to outlaw bad reporting practice. But there are cases where we do allow alternatives, provided that these alternatives each provide good reporting and that the reader fully understands which *alternative* is being accepted."

He adds: "If you make a standard too concise it becomes simplistic. I think we've got tbe balance about right so far."

As new chairman, John Kirkpatrick is jumping straight into the thorny subject of pension plan reporting, a subject on which the British Accounting *Standards Committee* has been more or less stalled for years.

Exposure draft E27 is to be published in July, and will require numerous details of transactions, assets and liabilities, and actuarial assumptions.

Controversial

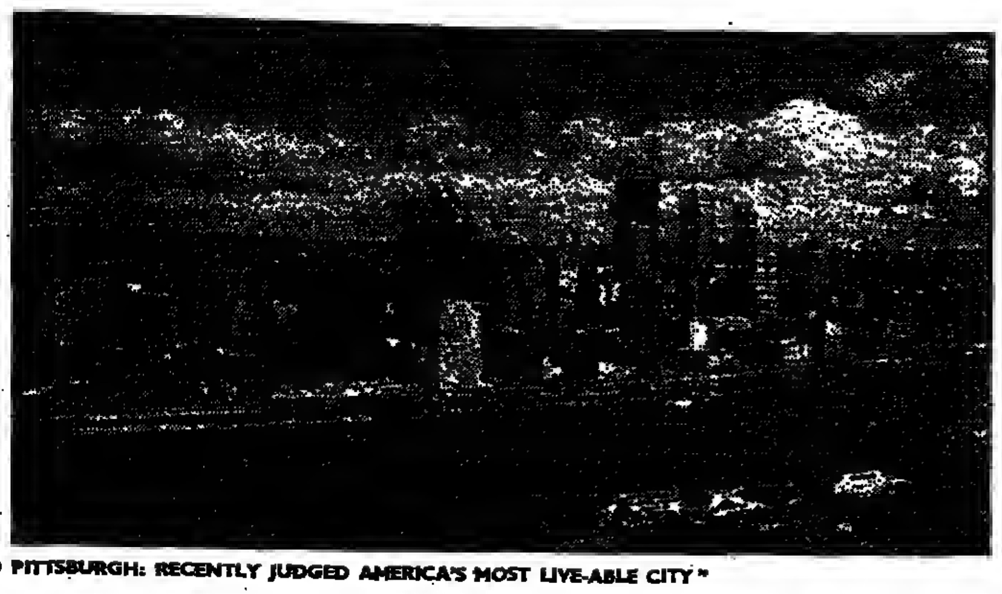
Elsewhere the IASC is coming under quite a lot of pressure to pronounce on the subject of value added statements.

The bank disclosure paper could prove much more controversial. It follows an earlier discussion document released by the IASC some five years ago. For the time being the IASC is confining its attention to the question of disclosure rather than the still more tricky one of measurement, though a measurement standard is not ruled out in due course.

Sub-committees are just starting work on bank disclosure and Kirkpatrick accepts that it will be a difficult process because of "very widely differing practices around the world." The European Commission, for example, is proposing a controversial hidden reserve of up to 5 per cent of assets. "We may not find ourselves in agreement on that," he warns.

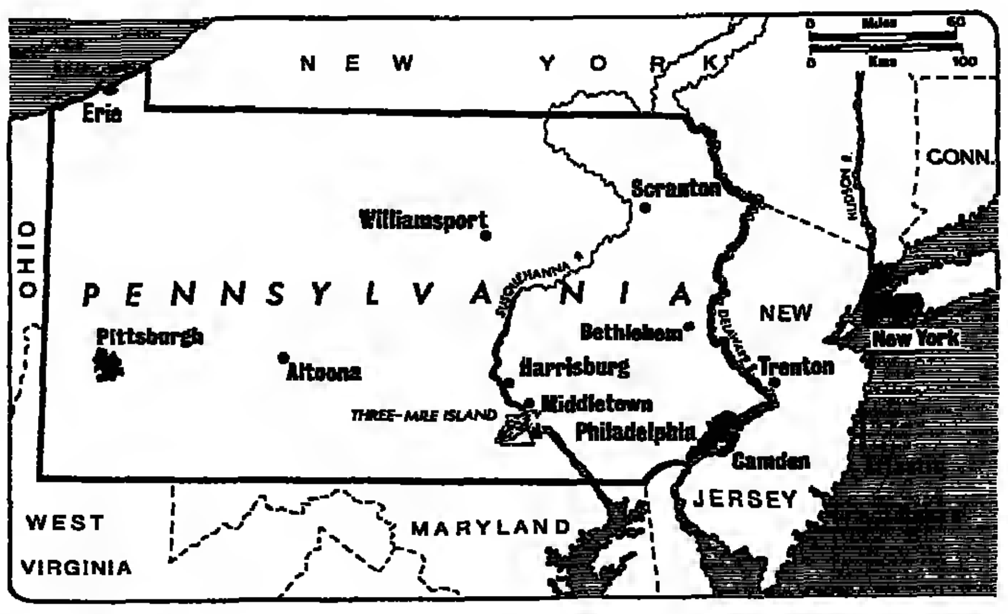
FINANCIAL TIMES SURVEY

Wednesday June 5 1985



● PITTSBURGH: RECENTLY JUDGED AMERICA'S MOST LIVE-ABLE CITY"

Pennsylvania, the fourth largest state in the U.S., is seeking to transform its economy by the end of the decade. From an over-dependence on coal and steel, the state's industrial base is shifting rapidly to higher growth, service and technology sectors.



Pennsylvania

REBIRTH OF AMERICA'S KEYSTONE STATE

PENNSYLVANIA, the birthplace of the American republic more than 200 years ago, is in the midst of a rebirth.

The so-called keystone state, which was also in at the beginning of America's industrial revolution, is now trying to revitalise its rusting economy by participating in the electronic revolution. And following years of decay, corruption and neglect, the state is carrying out major renovations on its infrastructure and public institutions.

By Ian Rodger

Pennsylvania's problems in the past few years have been considerable. The sharp decline in the fortunes of the coal and steel industries, which long underpinned its economy, sent the unemployment rate to levels not seen since the 1930s and stunted overall growth. Bnt some potential new employers were put off by the state's high taxes, high wages and restrictive labour practices.

Pennsylvania was also weakened by a raucous political tradition, and the inability of one party to win a decisive majority at the state capital, resulting in chronic mismanagement. The state's fiscal position was so poor in the 1970s that the Government had to ask corporations to pay their taxes a year in advance.

The Republicans in 1979, under Dick Thornburgh, had no greater majority than their predecessors, but they decided to govern as if they did. This has at times been difficult, but Thornburgh managed to win a second term as Governor in 1983 and has, by most accounts, made a creditable start at tackling the state'a problems while also lowering the temperature of political debate.

His own assessment of his progress came in his budget speech last February—"Perhaps the state of our Commonwealth is best described not by what we have had to discuss here today, but by what we have not had to discuss for quite some time," he told the members of the General Assembly.

"We have not had to discuss payoffs, patronage and potholes in a financially precarious PennDOT (the state's highway department). We have not had to discuss a wasteful, mismanaged and bloated bureancracy. We have not had to discuss a bankrupt unemployment compensation fund, or energy shortages or, of all things, the need simply to pass our budget on time."

Perhaps one of the Administration'a most laudable initiatives has been instituting of state-wide compulsory literacy and numeracy tests for children in grades 3, 5 and 8. Put in place two years ago, the system has revealed what everyone knew but was reluctant to do anything about. Now, about a third of the 337,000 pupils in those grades are receiving mandatory remedial instruction.

But the Government had an additional motive for adopting an aggressively reformist stance. Thornburgh realised early in his first term that the coal, steel and other heavy manufacturing industries were unlikely to recover their former strength and so he set about trying to diversify the base of the state's economy.

Pennsylvania has considerable assets to offer industrialists, inclnding its proximity to the major markets of the eastern U.S. and Canada, significant natural resources, a lot of beautiful, unspoiled country and excellent educational and cultural institutions, such as the University of Pennsylvania and the Carnegie Institute.

According to a recent survey, its two major cities, Philadelphia and Pittsburgh rank among the four most livable cities in the U.S., in terms of a basket of factors, such as safety, cost of living, cultural amenities, transportation facilities, etc.

But in the increasingly tough inter-state battle to attract and preserve industry and jobs, these factors are no longer enough. Competitive tax rates, good highways and a co-operative government are also important, and Thornburgh set out to restore Pennsylvania's competitive position in these areas. He has, for example, phased out the advance payment of corporate taxes and lowered both corporate and personal income tax rates to levels that approximate the U.S. average. A major highway reconstruction programme is underway.

Large area

Pennsylvania is one of the largest states in the union, both in terms of its 12m population and its geographical size. In fact, however, it is probably helpful to think of it as three mini states, each separated from the others to a surprising extent by geography and differences in lifestyle.

The eastern part of the state, centred on Philadelphia, is part of the dynamic Boston-Washington corridor along the Atlantic seaboard, with its diverse base in light and service industries and international trade.

The west end of the state, beyond the Allegheny mountains, is part of the Midwest heavy manufacturing heartland, with Pittsburgh the country's traditional steelmaking capital. In between is a calm, prosperous, largely agricultural area supported by considerable food manufacturing.

Both central and eastern Pennsylvania have pockets of declining heavy industry, but their economies tend to be fairly diversified and so they have been able to cope with the slump in coal and steel. In the Lehigh Valley, for example, Bethlehem Steel was the original industry and main employer for nearly a century. Bethlehem's employment has tumbled from 18,000 to 6,000 in the past decade but the overall unemployment in the area is only 8 per cent.

Many other employers have grown up in the area to take its place, including Lehigh University, Bell and Howell, American Telephone and Telegraph and the industrial gases group, Air Products. Local civic and business leaders have worked hard to stimulate the development of small businesses.

In Western Pennsylvania, where unemployment is around 12 per cent, industry leaders recognise it will be some time before the situation improves. State leaders believe the solution lies mainly in the development of small businesses, especially those in high technology and service sectors.

The Government has made a number of moves to help stimulate entrepreneurs, including its innovative Ben Franklin Partnership programme under which universities and the state help to finance high technology commercial development projects. It is also spending heavily on job retraining programmes.

The state's economy is already more diversified than myth would suggest. Of total GDP in 1983 of $150bn, ooly 15 per cent came from durables manufacturing and 2 per cent from mining. Another tenth came from non-durable manufacturing, but over half came from services. Last year, the number of service jobs in the state surpassed the number of manufacturing jobs for the first time.

Thornburgh's prediction that the state's economic base "will be completely changed by the end of the decade" seems a hit of an exaggeration, but changes are occurring. Among the more ioteresting receot developments was the attraction of a $103m Defence Department software centre to Pittsburgh. Thornburgh says the growth of the state's electronics industry now matches that of Massachusetts and California.

Opposition to Thornburgh's initiatives have been generally muted in the past few years, but the old partisan fury occasionally erupts. Last month, when the Government sought approval for funds for infrastructure improvements around the planned software

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Pennsylvania at a glance

Population	11.7m
Land area	44,888 sq miles
State capital	Harrisburg
Gross state product (1983	$149.9m
Government budget (year to 30/6/86)	$16.5bn
Labour force (1980)	5.4m
Unemployment rate (current)	8.3 per cent

Pennsylvania 2

A city transformed

TRADITIONAL IMPRESSIONS of Pittsburgh—the sooty, squalid, crude steel handler to the nation—are hard to dispel.

But they are totally out of date. The city today is one of the most attractive in the U.S. and has just won a naional beauty contest—having been judged America's most liveable city—to prove it.

Developments in Pittsburgh

IAN RODGER

Pittsburgh cannot compete with the outstanding settings of cities such as Cape Town, Rio or Vancouver, but the first sight of the city for most visitors—coming out of the Fort Pitt road tunnel on the ride in from the airport—is nevertheless a spectacular ooe.

Suddenly, one sees a tight cluster of gleaming skyscrapers, wedged in by the Allegheny and Monoogahela rivers just as they join to form the Ohio. Night or day, it is a beautiful sight ond it keeps its freshness, whether seen from the top of one of the buildings or from the high bluffs over the Mon valley.

Pittsburg's survival today as a prosperous city is due to more than the natural beauty of its location. The city could well have been another Buffalo or a Sheffield, unable to adjust to the eclipse of the industry which was its first stimulus. That it is not is little short of a miracle of community leadership.

There is no argumeot in Pittsburg about the responsibility for the city second and third winds. The Mellon fomily, which has a long history of bold industrial financing, brought in much of the diversity. It was the Mellons, for example, which backed Charles Hall in developing the electrolysis process for smelting aluminium in the late 19th century, aod so Aluminum Co. of America (Alcoa) has its headquarters in Pittsburg.

Gulf Oil

Similarly, the Mellons sent some local oilmen out to Texas in 1901, resulting in the creation of Gulf Oil, a leading force not only in the oil industry but olso on the Pittsburgh local scene until its takeover last year by Chevron.

The Mellons ottracted and nurtured many other large companies ond today Pittsburg is third in the U.S., after New York and Chicago, for large company head offices. Among the better known ones ore U.S. Steel, Westinghouse Electric, Rockwell International, the H. J. Heinz food group, PPG Industries (formerly Pittsburgh Plate Glass), Dravo, the engineering contractor, Allegheny International and Joy Manufacturing.

The city also has long had first-class cultural institutions, led by the Carnegie-Mellon University and the extraordinary Carnegie Institute, which operates a huge library, an orchestral hall, a distinguished fine art museum and a well-known natural history research programme and museum.

All this has meant that long before the steel iodustry went into decline, the Pittsburgh area had developed a fairly diversified economy. That in turn meant it was able to cope reasonably well with the sharp drop in steel related employment that has taken place in the past few years. The area's unemployment rate today is abont 11 per cent compared with a national average of 7.2 per ceot.

Since much of the diversification was artificially implanted, it could easily have gone elsewhere when times got tough. Pittsburgh's triumph has been the creation of an environment in which international businesses and institutions remain content to live. Mr Tony O'Reilly, the Irish president of H. J. Heinz, says the company once polled its senior managers on this matter.

"An overwhelming majority said they wanted to stay in Pittsburgh," he says. "It is like a global village here. We are a town of international traders."

Pittsburgh's first conscious attempts to make itself attractive go back to 1943. At the time, the area was plagued with air and water pollution ond the downtown area was decaying. The Wall Street Journal, in a survey of the post-war prospects of 137 U.S. cities, put Pittsburgh in its lowest classification.

R. K. Mellon, then chairman of the bonk, and Dovid Lawrence, the mayor, decided to do something obout it. They turned to advantage the most striking characteristic about Pittsburgh society—a lot of power was concentrated in very few hands—by creoting a community development body on which all the key industry leaders would sit.

In its first rush of activity in the late 1940s, the Allegheny Conference stimulated a major office building programme in downtown Pittsburgh, the enforcement of smoke and water pollution regulotions ond the construction of a system of flood control dams on the area's rivers.

Later, it helped in pushing through a sports stadium, urban transportotion systems and, from 1977, o second major office building programme. It has also become involved in sociol problems, such as jobs, housing and business finance for minorities.

Perhaps one reason the Allegheny Conference has been able to accomplish so much is that it has been unsentimental about membership. It is interested only in people with power. Family bockground is unimportant. If you are the chief executive of one of the city's big companies, you ore outomatically on the executive committee.

● The new headquarters of PPG Industries (formerly Pittsburgh Plate Glass), part of the five-building $200m PPG Place complex that led the Renaissance II redevelopment of downtown Pittsburgh in the late 1970s. Philip Johnson, the architect, hoped the building would enhance the city's reputation for beautiful towers.

Amazement

That seems to have a remarkable affect on some of the participants. Bob Dockey, chairman of Drovo, recalls the period in the mid 1970s when Westinghouse was suing Gulf for vast sums over Gulf's alleged participotion in a uranium cartel. "We were amazed to watch Jerry McAfee (then chairman of Gulf) and Bib Kirby (then chairman of Westinghouse) continuing to work together in a friendly way," he says.

Another key to the Conference's—and Pittsburgh's—success has been the willingness of civic and business leaders to work together, regardless of deep political differences. (Pittsburgh is a diehard Democratic town.) For example, it was the City's Urban Redevelopment Authority that used its expropriation power in 1977 to assemble the land for the huge $200m PPG Ploce development.

While these accomplishments are impressive, both the Conference and the city's other substantial public service organisation and charitable trusts are under more pressure today than ever. The sudden collapse of the local steel industry at a time when governments have been cutting back on welfare programmes has coused considerable hardship and resentment in some parts of the community.

Mr Tony Bryan, chairman of Copperweld, and o member the Conference executive committee, says it is hardly surprising thot steelworkers get upset ot being asked to accept woge cuts or redundancy when they see others prospering in a downtown area which they no longer recognise as their own.

The irony is that the city now has difficulty attracting new industrial investment and jobs because of the high wage rates won by steelworkers in the past which set a standard for the region.

"It's nobody's fault," says Mr Bryan. "People forget that the high wages created consumers and, at the time, that was the right thing to do."

However, there are growing rumblings about the need for new leadership in the Conference. Although most of the industrial companies that dominate it are prospering, many have been preoccupied with their own problems in the past few years and they are an increasingly minor part of the area economy. National Intergroup no longer has any steelworks in the region, Gulf has disappeared and Rockwell has little more than an office in the city.

Even the Mellon presence seems to be receding, as the bank's directors become more interested in national and international finance and the family directs more of its charity on conservation. Meonwhile, service companies, such as U.S. Air, have become prominent and the University of Pittsburgh has become the areo's largest employer.

NOT-SO-FRIENDLY REACTION

"YOU'VE GOT o friend in Pennsylvania"—the state'a catchy and versatile promotional slogan, has been taking a bit of beating from the grammarians.

The "got" is redundant, one vigilant protector of the language complained last year, and others quickly agreed that this was just another example of sloppy copywriting by an advertising agency.

A stung Governor Dick Thornburgh, who is very proud of the campaign, replied that the precedents for the redundant use of "got" were well established.

To prove his point, he got up before a social gathering of state leaders last December and sang, "He's got the whole world in his hands" and "I've got you under my skin."

Apparently, he did not sing the Rodgers & Hammerstein number, "You've got to be carefully taught."

Centre for medical research

Philadelphia's expansion

IAN RODGER

PHILADELPHIA will be a great place when they finish it, as someooe once said about another large U.S. city.

Indeed, the city of brotherly love, sleepy for so long, today seems to be one vast construction site, with major office tower, hotel and highway projects underway everywhere.

However, there is one project that gets more publicity than all the rest, a $600m downtown office complex that will break the nearly century-old tradition that no building in Philadelphia should be higher than the statue of William Penn on ton of City Hall.

The waiving of that policy—it was never actually written into the city bylaw — was approved last year by o newly elected Mayor, W. Wilson Goode. The gesture was meant to show that Philadelphia was shaking off its image of being dominsted by its history.

To a considerable extent, thot was no longer necessary. The city, America's fourth largest, shows signs of being one of the most dynamic in the country.

Philadelphia has long been known as a medical centre, with 137 hospitals in the region. In recent years, it has capitalised on this base to become a world leader in medical science and related manufacturing.

According to one recent count, the area has 60 medical research institutions, 77 mannfacturers of medical instruments and supplies, 31 makers of scientific instrumeots, 26 universities offering advanced degrees in medicine and biological sciences and 29 drug manufacturers, including SmithKline Beckman and Squibb.

Last year, Philadelphia was selected by the Notiooal Aeronautics and Space Administration (NASA) for one of twn research centres for studying bio-processing and pharmaceuticals in micro-gravity environments.

Philadelphio has also long been known for its distinguished universities, including the Uoiversity of Pennsylvania, Drexel, Bryn Mawr and Haverford. It was ot the University of Pennsylvania that the first digital computer, the ENIAC, was built in 1946.

Today, the highway 202 corridor on the ontskirts of Philadelphia, stretching up to Princeton in neighbouring New Jersey is attracting a concentration of computer service and other high technology electronics companies. At last count, there were more than 800 such companies in the area, which is beginning to be comparable with Boston's bighway 128 area, and high tech employment has reached 110,000.

Philadelphia is also a major financial centre, with Girard, First Pennsylvania, Philadelphia National and Provident National among the leading banks and Cigna, Fidelcor and Penn Mutual amoog the insurance companies. Venture capital firms with total assets aproaching $200m are based in the city.

The city's potential is being helped by a massive effort to improve infrastructure, including work on the commuter rail system, the highway network and the port. Much of Philadelphia's port has been renovated in the past decade to handle container and roll-on, roll-off traffic, and two years ago, the state government and Conrail, the national freight railway, spent $25m to modernise the port'o coal terminal.

The city remains a very attractive one to live in, as was recognised in a recent survey placing it among the most liveable U.S. cities. The crime rate is 10th among the ten largest cities in the country and living costs are comparatively low.

Philadelphia is also a cultural treasure chest. In addition to its historical monuments, it counts the University Museum, the Museum of Art and Barnes Foundation and the Philadelphia Orchestra among its prime attractions.

Rebirth of the keystone state

CONTINUED FROM PAGE 1

Institute, the opposition accused it of wanting to build a parking lot for its friends.

A more substantial battle is in the making over the Government's desire to privatise the liquor distribution industry. The state owned Liquor Control Board, which monopolises liquor distribution, is a chronic source of corruption and ties up an estimated $200m of public funds. Thornburgh, now clearly "a lame duck" governor with litle more than a year left in office (Pennsylvania governors are not allowed to serve more than two terms), may not be able to muster the support necessary to overcome entrenched interests in this area.

The big question in Pennsylvania today is what will happen when Thornburgh leaves at the end of next year? His administration, with its drive to lower taxes, trim government spending and improve services, has clearly responded to the prevailing public mood in the early 1980s, but it is difficult to predict how long that mood will last.

Observers say that Thornburgh's Lieutenant Governor, William Scranton, the son of a former Governor and a man committed to current policies, is likely to succeed him and win the next election; but nothing is certain in Pennsylvania politics.

Even if the Democrats did return to power Thornburgh doubts that many of the reforms would be unravelled.

"The fact that so many things have been done visibly makes it hard for them to be undone," he says.

Policy changes make significant impact

Industrial development

IAN RODGER

PENNSYLVANIA has been an important innovator in the field of industrial development in the past few years, trying to develop a coherent strategy to reverse the state's relative decline.

Most states—and countries, for that matter—have long been interested in industrial development and have applied various policies—soft loans, tax holidays, grants, and so on—to attract factories to their jurisdictions.

Until six years ago, Pennsylvania was just one of many that did this sort of thing, and if there was any focus in its policy, it was to entice large, beavy manufacturing projects to the state to complement the existing beavy industry. The landing of the Volkswagen plant in 1978 was the last major example of this.

However, even before the Volkswagen venture ran into trouble (see separate article), it was becoming apparent to planners that this "smokestack chasing" policy was not producing the desired results.

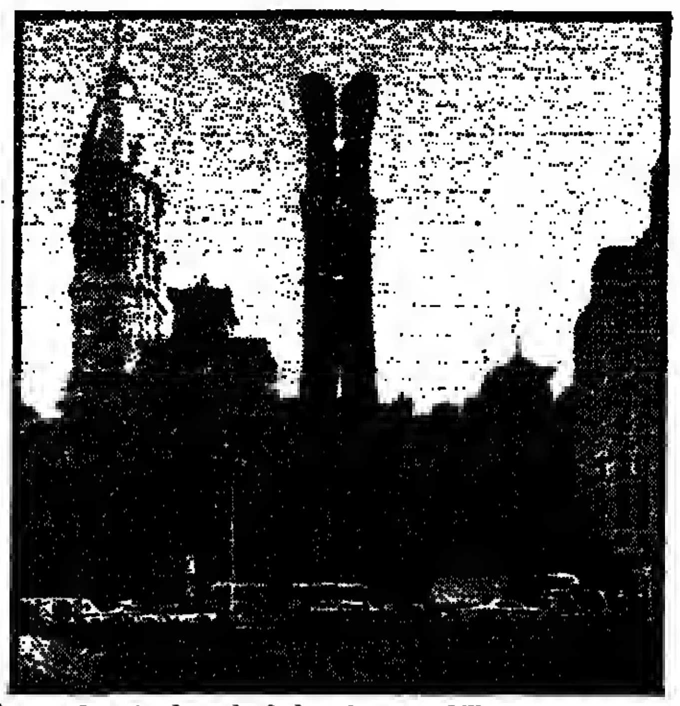
Pennsylvania's economy was not growing as rapidly as that of other states, particularly tha southern sunbelt states, and the job creation rates were lagging dangerously. The traditional heavy industries on which the state relied so heavily were under increasing pressure from more efficient foreign competitors. In the 1970s, Pennsylvania lost more than 200,000 manufacturing jobs and it became increasingly obvious that they were not going to come back.

This sort of situation is great grist for opposition politicians who can always think of instant solutions for the state's problems. Tha Republicans, who were in opposition until 1979, had their ideas, but when Governor Dick Thornburgh came to power, he took the bighly unusual step of launching a two and a half year study of the problem by the state's planning board.

"We took a considerabla amount of criticism for not succumbing to pressures for action," Mr Thornburgh says, "but we felt we were at a crossroads."

As a result of the studies, Pennsylvania's industrial development strategy has been turned upside down. Far from spending most of its efforts on enticing big new industrial investments, Pennsylvania now concentrates first and foremost on improving the climate for existing industries in the hope that they will stay and expand in tho state.

They, after all, are the organisations that provide all the existing jobs and that havo a natural bias in favour of their bome. To try and make them happier, the Thornburgh administration has cut taxes, eased regulatory requirements and begun improving the state's dilapidated infrastructure. It has even passed a special tax credit to encourage investment in the state's battered steel industry, showing that it is still interested in heavy industries.



● President Ronald Reagan offers encouragement to an unemployed school teacher who is learning new skills at a centre in Pittsburgh. Right: Claes Oldenburg's sculpture, "Clothespin," near Philadelphia's City Hall, which is topped by a statue of William Penn. Traditionally no other building in the city was built higher than City Hall, but that record is shortly to be broken by a new office development

Improvements

The changes have already had a significant impact. A number of companies that were previously expanding in other states where taxes were lower and the general climate better have shown new interest in the state. Mr Dick Zimmerman, chairman of Hersbey Foods, says the company went to neighbouring Virginia with a plant three years ago, but now it is adding capacity in Pennsylvania again.

The second priority has been to help develop new businesses. The planners were impressed with various studies that indicated thet most of the jobs created in the U.S. in the past several years came from small businesses with fewer than 20 employees. There were also suggestions that the discrepancy between the growth rates of the sun belt states and the rust belt states was not so much due to plant closures as to tho difference in the rate of company births.

Like many states, Pennsylvania has adjusted its low interest loan programme for industry, to favour small businesses and has encouraged the creation of "incubator" units in many areas for new companies to get started. It also actively encourages foreign companies of all sizes to establish in the state, and has a remarkable record, especially with British companies.

The state has logged a total of 141 British companies that have investments in the state. Some, such as the coal industry machinery makers, are long established, but a considerable number, including Cadbury-Schweppes, Davy, Northern Foods and TI, have made significant investments in the past few years, either through acquisition or plant construction.

But Pennsylvania's most innovative initiative for industrial development is the so-called Ben Franklin Partnership programme.

Like every state, Pennsylvania has looked on with envy at the mushrooming of high technology industries in Silicon Valley in California and along highway 128 outside of Boston. The Ben Franklin Partnership was designed to try and make something similar happen in Pennsylvania.

The idea behind the programme, which was launched early in 1983, is that universities should try through the use of grant funds, to get involved in hi-tech product development projects with local entrepreneurs and established companies.

It was expected that many of the entrepreneurs would be university professors or researchers that saw commercial potential for some of their ideas. And that has turned out to be the case.

The state government designated four groups of universities as advanced technology centres under the programme, each with certain areas of specialisation.

For example, the centre in the northeast part of the state, based at Lehigh University in Bethlehem, takes advantage of the university's long links with the steel and engineering industries and specialises in projects in manufacturing automation, materials, biotechnology and solid state microelectronics.

The centre in Philadelphia, built around the University of Pennsylvanie and Drexel University, is trying to capitalise on the concentration of medical and pharmaceutical industry in the area. Its primary areas of research and development are sensor technologies, space productivity and adaptability and medical biotechnology.

The other centres are in Pittsburgh, built around the University of Pittsburgh and Carnegie-Mellon University, and at Pennsylvania State University in the centre of the state.

Impressive

The centres, financed by the state government, offer to pay up to half the costs of acceptable projects advanced by entrepreneurs. In the event, the programme has attracted far more private capital than expected.

In tho year to June 30 1984, the government's $10m injection was matched by $28m of private sector funds and in the current year, the government's $18m has attracted $55m in private money.

By the end of last year, it had helped 124 firms to get started and another 89 to expand or consolidate, creating or preserving a total of 2,042 jobs.

Among the more impressive developments has been the construction in the Lehigh Valley by Xebec, a California computer equipment supplier, of a $7m plant. Other established companies in the area, including IBM, American Telephone & Telegraph and Bell and Howell, have used the programme for certain projects.

Some people worry that the thrust of the Ben Franklin Partrerships and other programmes like it that are now springing up elsewhere in the U.S. will make universities focus more on short-term development projects rather than basic research.

Dr Peter Likens, president of Lehigh, points out that the size of the Ben Franklin programme is still tiny compared with the amount of research support universities get from the federal government.

However, be says the federal government too is getting interested in seeing its money used for economic development and has shown some enthusiasm for the concept of matching grants from the private sector.

The Ben Franklin Partnership will undoubtedly go on growing, and it is clear thet the government sees it playing a major role in the transformation of the economic structure of the state.

Governor Thornburgh says one of the problems with smokestack chasing is that it is a zero sum game because one state's gain is another's loss. In hi-tech, be argues, "individual state efforts are much more likely to make all states winners."

However, the state is not just interested in high technology industries. Toorism has become the state's second most important industry after agriculture, helped by the considerable areas of wilderness that remain and the large number of famous historic attractions, such as Philadelphie's Independence Hall, Valley Forge and Gettysburg. The Government is spending heavily on tourist promotion, encouraging Americans and Canadians to make the state a destination rather than just a stop on the way to somewhare else.

It is also still interested in heavy manufacturing. Officials have been working hard to attract to the state General Motors' huge Saturn project to build small cars at costs competitive with the Japanese. GM is expected to make a decision on the plant's location next month.

Victim of circumstances

STEEL and Pennsylvania have long been synonymous in most people's minds. And with reason. It was in Pennsylvania that the great industrial barons of the 19th century, Andrew Carnegie, J. P. Morgan and others, built their steel and rail based empires, taking advantage of the state's coal and mineral resources.

Until the 1980s, Pennsylvania was still the largest steel producing state in the union, accounting for over a quarter of national output. And Pittsburgh was the industry's confident capital, housing the headquarters of U.S. Steel, the traditional industry leader, National Steel, Wheeling-Pittsburgh and several other minor producers.

Decline of the steel sector

IAN RODGER

But today, Pennsylvania's steel industry is largely derelict, the victim of a combination of circumstances that have made many of its works uncompetitive and forced several closures and even bankruptcies. Last month, Wheeling-Pittsburgh, the seventh largest producer in the U.S., filed for protection from its creditors under Chapter 11 of the U.S. Bankruptcy Code following massive losses.

The seemingly endless line of closed steel mills and shattered communities up the Monongahela River from Pittsburgh has to be seen to be relieved. Gone is Jones and Laughlin's big Aliquippa works (3.5m tons) and major rationalisation has taken place at U.S. Steel's several works along the river.

Iron and steel making came to an end last summer at the Duquesne plant and the Edgar Thomson iron and steel works now produces steel for the Homestead structural steel mills and Irvin hot strip mill. The steel industry now supplies only about 5 per cent of the jobs in the Pittsburgh area compared with 18 per cent in 1955.

Job losses

Meanwhile, in the eastern part of the state, Bethlehem Steel, based in the Lehigh Valley, has cut its 18,000 workforce by about two-thirds in the past decade, and made more modest contractions at its plants in Johnstown and Steelton. U.S. Steel's Fairless works on the outskirts of Philadelphia, having failed to secure a lifesaving injection of competitive semi-finished steel from the British Steel Corporation, is now under threat. Its coke plant was closed down last June, and more bad news is expected.

The result of these and other contractions is that Pennsylvania is now only third among U.S. steel producing states, with less than 15 per cent of national output, far behind Indiana and Michigan.

This shift reflects in part e significant and inherent competitive disadvantage that most of Pennsylvania has acquired insofar as volume steelmaking is concerned. The trend throughout the world is to make steel on coastal sites so that the cheapest coal and iron ore can be brought in by ship.

Similarly, the output from coastal plants—which in tha U.S. means the shores of the Great Lakes—can often be shipped by water to major customers.

Much of Pennsylvania is served by large water transport systems, including the Delaware River in the east and the Ohio River in the west, and it has a small exposure to the shore of Lake Eria where, indeed, a modern steelworks is located.

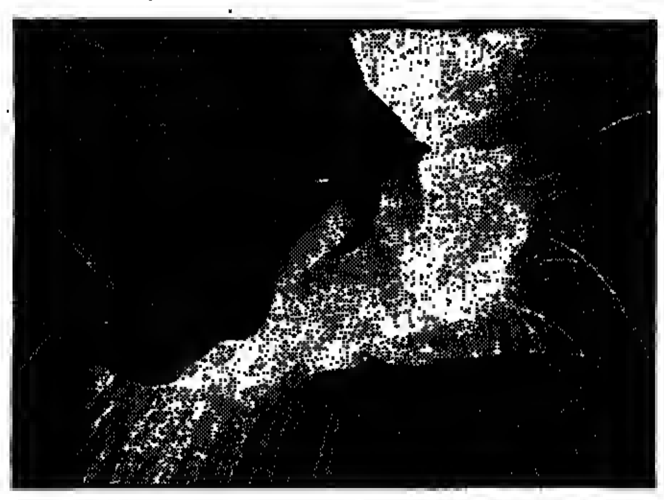
But the industry also suffers from the simple fact that it has been established so long in the state. Much of the plant was old and uncompetitive, and long-established restrictive working practices in both the industry itself and those industries that serve it, such as coal and rail, have been hard to break.

In any event, in the past 20 years, tho Pennsylvania-based steelmakers have joined their competitors in building big new plants on the shores of Lake Michigan, Lake Huron and Lake Eria while spending less on their Pennsylvania plants.

For all the decline, steel is still important to Pennsylvania, and both the industry leaders and tha state Government are anxious to keep it that way.

"We will always be among the leaders in iron, steel, coal and heavy manufacturing," Governor Dick Thornburgh says, and points to the state's support for the steel industry's pressure on the federal government to stop the flow of subsidised imports into the country.

Tha salvation of Pennsylvania's steel industry lies in a combination of investment in new plant and higher value products and improvement in work practices. And both are happening. The relative success of Weirton Steel, sold to its employees 18 months ago by National Steel, indicates one way.



● Despite the problem's in Pennsylvania's steel industry, the State Government recognises that the sector is still important and is encouraging a combination of investment in new plant and higher valoe products. Below: an operative at a vehicle construction plant welds sheet metal into sub-assemblies. Pennsylvania is actively encouraging more foreign companies to set up manufacturing plants in the state

The company, whose works is located a few miles down the Ohio River from Pittsburgh, has just reported its fifth successiva profitable quarter. It has benefited from a reduction of debt charges resulting from some soft terms offered by National on the sale and from significant workforce and waga reductions agreed without industrial action.

Earlier this month, five major producers decided to disband their co-ordinating committee on wage negotiations with the United Steelworkers union. The five—U.S. Steel, Bethlebem, LTV Steel, Armco and Inland Steel—believe they, like some of their competitors, can win more concessions from the USW by bargaining alone.

Wage bargaining is also a major issue in the Wheeling-Pittsburgh bankruptcy, and most industry observers believe the company will return to normal trading once a new pact can be worked out with the USW. The company has invested heavily in modern plant, especially on its hot strip mill near Pittsburgh and should be highly competitive.

Other companies too are investing in new plant, such as Bethlehem's $50m programme to upgrade its structural steel mill at the Bethlehem plant and an £18m project for making long rails at Steelton.

Pennsylvania is also the home of many leading companies in the special steel sectors, such as Allegheny Ludlum, Car Tech, Cyclops, and others. They are less sensitive to shipping costs than the big volume carbon steel producers and so should remain in the state, as long as the general climate for industry is satisfactory.

A wave of banking mergers follows new state legislation and the general process of deregulation

Banking sector faces massive changes

THE PENNSYLVANIA banking industry is in the midst of period of massive structural adjustment and ferment spurred by changes in state banking legislation and by the wider process of deregulation which is sweeping through the U.S. financial services industry.

In Pennsylvania's twin banking centres of Pittsburgh and Philiadelphia, these changes are throwing up new opportunities and, in some cases, dangers for the state's diverse financial institutions which include a major money centre banking group, the nation's largest savings bank outside California and the country's oldest commercial bank.

Financial services
PAUL TAYLOR

Over the past two years a wave of mergers resulting from changes in state legislation which, beginning in 1982, allowed bank holding companies to own more than one bank, has reshaped the industry.

This process has already resulted in four major intra-state mergers and a host of smaller combination with the prospect of another round when state restrictions on bank ownership are further eased next year. Between the lifting of the original ban on multibank holding companies and July last year some two dozen mergers were consummated.

Three of the four major mergers involved the acquisition of Philadelphia-based banking groups by other Pennsylvania-based groups. Girard Bank was acquired by Mellon Corporation, Provident National merged with Pittsburgh National to form PNC Financial, and Central Penn National Bank was acquired by American Bancorp to form Meridian Bancorp.

The fourth merger brought together Philadelphia National with National Central Financial to form the Philadelphia-based CoreStates Financial group.

The performance, and the strategies, of these new banking groups has varied dramatically although a key common thread among the state's leading financial institutions is to position themselves not only to compete with a broad array of products in the highly competitive local market — but, when legislation permits, across state lines.

Mellon, the nation's 12th largest banking group, with over $30bn in assets, has inevitably led the way. The Pittsburgh based group has set its sights on becoming one of the most profitable, as well as largest, groups in the nation expanding wherever banking laws allow.

Although Mellon lost out in a bid battle for Heritable Bancorp in neighbouring New Jersey in December, its strategy is clearly built upon an aggressive acquisition programme. But this growth has come at a cost.

Last year Mellon's net income fell by 13.8 per cent depressed by the costs of consolidating earlier acquisitions, bolstering loan loss reserves and building a new 54-storey granite headquarters building.

Mellon has also suffered from an exodus of senior managers from the former Girard Bank, now renamed Mellon East, while the banking group's broadened horizons—exemplified by its plans to set up a string of 16 limited service consumer banks across the U.S. in preparation for the expected further erosion of federal interstate banking barriers—has alienated some local customers.

In Pittsburgh, unemployed steelworkers have staged demonstrations and poured skunk oil in the doorways of Mellon branches charging the group with abandoning steel city. Mellon chief executive and recently appointed chairman David Barnes, brushes aside such criticisms and views the lower 1984 earnings as a temporary aberration—a reflection of the costs associated with the bank's longer term goals.

PSFS, the thriving Philadelphia-based diversified financial services group which owns the biggest savings bank outside of California and a nationwide consumer credit and mortgage banking network, is also pursuing an active interstate acquisition strategy.

Last month, PSFS, a former mutual savings bank which converted to stock ownership in 1983, received approval to acquire a thriving Florida-based savings and loan association in return for taking on three ailing thrifts in Florida, Washington DC and North Virginia. The new acquisitions will bolster PSFS's already impressive collection of mortgage banking offices in 12 states and personal finance offices in 15 states—built up through earlier acquisitions—and provide an ability to tap out of state savings deposits for the first time.

Similarly both PNC Financial and CoreStates Financial have been actively strengthening their Pennsylvania base while positioning themselves for further expansion in the region.

CoreStates recently agreed to sell its mortgage banking and servicing units to General Motors Acceptance Corporation for $190m but the banking group made it clear that the deal was part of a wider strategy.

"We believe we will have exceptional opportunities over the next couple of years to deploy capital profitably, says Mr G. Morris Dorrance, CoreStates' financial chairman.

"We intend to make significant capital investments to strengthen our banking services to individuals and businesses, and we expect to expand into new and natural markets by acquisition."

Similarly, PNC has already announced the planned acquisition of a fifth bank when state law permits next March and has committed itself to expanding outside Pennsylvania to other neighbouring states when the opportunity arises.

Both PNC and CoreStates Financial were ranked among the top five U.S. banking groups in terms of composite performance in Salomon Brothers' annual review, published earlier this month.

But if Wall Street had an award for corporate turnaround stories another Pennsylvania Bank, First Pennsylvania, the oldest bank in the nation, would be a prime candidate, after being bailed out with a $1.5bn Government-backed rescue package in 1980 made necessary by a wrong bet on the direction of interest rates and an accumulated massive portfolio of bad loans. First Pennsylvania has staged a remarkable recovery.

Last year, after paying all its debts assumed as part of the rescue package, the banking group emerged back into the black for the first time since 1979 with a $30m profit.

Earlier this month, the banking group led away from the brink of disaster by chairman George Butler and chief financial officer, John Brine, completed its re-emergence from the bank "sick ward" by announcing an agreement to repurchase 6.5m stock warrants held by the Federal Deposit Insurance Corporation.

But even as First Pennsylvania has been recovering another Pennsylvania banking group, Equimark, has ben teetering on the edge of collapse. Last year, the Pittsburgh-based banking group last $31.6m and has been desperately seeking $100m in new capital in order to meet a mid-year deadline imposed b yfederal regulators who are insisting the group lift its primary capital ratios from around 2.2 per cent to the 5.5 per cent minimum.

But the bank, under its new chairman, Mr James Lowry, does appear to be making progress. In the first quarter it eked out a modest $1.3m profit by making inroads into collecting on problem loans and last month the bank announced a major restructuring of its branch operations involving the sale of 23 of its 78 branches for $32m—shrinking its Pittsburgh base — while acquiring a small number of branches in the Philadelphia market.

Some of Equimark's problems stem from its earlier decision to move away from its roots as small business and consumer lender—a temptation faced by other banking groups in an increasingly deregulated and competitive environment.

Big challenge

The next major challenge facing the Pennsylvania banks will probably be their response to the real prospect of regional interstate banking in the mid-eastern state. The Pennsylvania Legislature will shortly consider bills authorising reciprocal interstate banking with neighbouring states.

In the meantime, led by Maryland, Delaware, Virginia, West Virginia and Washington DC, plans are already going ahead for an embryonic regional pact which would be extended to Pennsylvania in July 1987.

Assuming this, or that some form of federal sanctioned interstate geographic deregulation comes into force, the Pennsylvania banks, with their strong local bases and international outlook, could play a key role in the next stage of the U.S. banking industry's development.

Bank holding companies: earnings

Figures for 1984 in $m

Name	Total assets	1984 net income	% change on year	1985 net income	% change on year	1984 reserves for loan losses	As % of total loans	1985 provision for loan losses	1984 non-perf loans	As % of total loans	1984 return on equity	1984 return on assets	Primary capital ratio	No of branches
Mellon	30603.9	158.5	− 13.8	41.5	+25.8	303.7	1.61	20.3	552.9	2.8	10.3	0.54	6.71	300
PNC Financial	14869.8	143.2	+ 22	43.9	+41	103.7	1.32	12.6	103.7	1.51	16.50	1.09	6.93	213
PSFS*	13723.1	72.0	+174.4	18.4	−35.4	30.7	0.29	4.2	61.4	0.58	8.32	0.57	6.92	93
Corestates Financial	9848.2	95.9	+ 20.3	26.7	+17.2	81.7	1.32	9.4	95.3	1.5	17.85	1.07	7.30	131
Fidelcor	5975.0	42.4	− 11	11.7	+20.2	46.8	1.72	5.3	53.0	1.9	15.13	0.77	5.93	101
Meredian Bancorp	5494.3	41.3	+ 28	10.1	+97	43.3	1.34	3.2	54.4	1.69	15.05	0.95	8.07	149
First Pennsylvania	5356.0	30.1	N.M.	5.8	−15.4	61.1	1.85	5.3	170.4	5.2	9.40	0.58	7.2	88
Continental Bancorp	4159.9	38.6	+ 28	11.2	+35	32.1	1.22	3.8	97.7	3.6	16.2	1.12	7.67	105
Equimark	2593.8	(31.6)	N.M.	1.3	+10.8	29.6	1.68	2.4	122.4	6.4	N.A.	N.A.	2.16	78
Union National	2343.6	17.6	+ 28	4.2	+ 7.3	16.5	1.23	1.6	27.4	2.03	11.32	0.79	6.99	70
Dauphin Deposit	2285.1	20.6	+ 23.3	5.6	+11.8	11.9	1.18	0.6	17.9	1.76	14.67	0.93	6.93	73
IVB Financial	1945.5	13.4	+ 13.9	3.5	+ 3.9	14.0	1.17	1.5	29.4	2.5	11.28	0.71	5.97	41

* Diversified financial services organisation, operating nation's largest savings bank
Research: Riyka Nachoma

AFTER SETBACKS, VOLKSWAGEN ENDS RUMOURS WITH ANOTHER $200M INVESTMENT

New Stanton car plant still has strategic role

JAMES W. McLERNON, a large phlegmatic individual, wept quietly as the first Volkswagen car rolled off the brand new assembly line at the West German group's plant in New Stanton, 35 miles south-east of Pittsburgh.

Only 18 months before, and at the age of 52, he had left the security of General Motors, where he had spent 28 years of his working life, to become president and chief executive of Volkswagen's new manufacturing subsidiary in the U.S.

He had not been attracted by the "transfer fee"—although he is reputed to have been given a five-year contract worth no less than $2bn—but by the challenge of getting the plant into operation in only 18 months — something never before achieved in automotive history.

No one can take that achievement away from him. He was not to know then that the fickleness of the car-buying public would give him only a short-lived triumph. Both he and the New Stanton plant were, within three short years, to become victims of the vagaries of the American car market.

McLernon was overcome with emotion on that day, April 10, 1978, because he had completed an industry "first." And it was a great day for Pennsylvania, too. The New Stanton facility had been started by Chrysler but abandoned, before half-way construction, as that U.S. company ran into deep financial trouble.

Now VW had completed the plant, put up an office block and offered the prospect of 5,000 jobs — for which 40,000 people applied. There was also the hope of 10,000 to 15,000 jobs being created indirectly.

Just as important from Pennsylvania's point of view was the fact that the VW project gave the state a chance to begin shuffling off its image as a supplier of basic materials, to which value was added, elsewhere.

This was a step towards having much more value-added projects in the State itself.

The inducements offered to VW were, by today's standards, relatively modest. Pennsylvania completed a highway to the plant; a dual-rail spur was also completed—but was to be paid for by a surcharge on every wagon going in and out of New Stanton. Then there were $40m of loans at very low interest rates, provided by two local Pennsylvania pension funds.

VW was in a hurry because whole project had been put on ice while the company fought various internicine political battles back home in West Germany. The chairman who favoured the project, Rudolf Leiding, resigned in 1974. His successor, Toni Schmuecker, ex-Ford, ex-Rheinstahl steel, could not fault the logic, however.

VW car sales in the U.S. reached 569,000 in both 1968 and 1970 and the company was chasing a 5 per cent market share. By 1976 sales had plumetted to 201,670, partly because the old Beetle had gone out of favour with Americans, but mainly because VW's prices had risen much faster than average as it attempted to alleviate some of the damage to profit done by a fast-appreciating D-mark. In 1970 there were DM 3.60 to the dollar. By the time the VW plant came on stream, the rate was only DM 2.0.

And this was at a time when the Japanese were rapidly building up sales of small cars at knock-down prices in the States.

Production in the U.S. would radically reduce VW's exposure to the D Mark's appreciation—although not entirely because some components would still be shipped from Germany — Schmuecker told the German unions. If VW was to get back to a 5 per cent market share in the U.S., assembly there was essential, he said.

It would also relieve VW from protectionist worries and from anti-dumping complaints of the kind it had to face in 1975.

VW raised $20m through Eurobond issues towards the $450m cost of the New Stanton facility. McLernon and his team quickly cranked up output to 200,000 a year, full-capacity level.

Components

When I first met him a year after New Stanton had come on stream, McLernon, who had for his past seven years with GM been general manufacturing manager for the Chevrolet division (which had 75,000 employees and 26 plants), he dismissed the labour relations problems which were a well-publicised feature of the plant's early days.

"They were not the major problems," he said. "They were unfortunate, in that they could have been avoided. There was a breakdown in communication. We have an excellent workforce."

Then he added: "The major problems we had related mainly to developing North American component sources to meet our quality standards. Sometimes we felt these were insurmountable."

Renault, too, was later to find that, whereas U.S. suppliers can produce high-quality, inexpensive components for large cars, they have extreme difficulties with components for small vehicles.

But McLernon was determined, be said, to "Americanise" the VW Rabbit, the car produced at New Stanton (known as the Golf in Europe). Market research told him that U.S. customers wanted, for example, softer seats, a wider range of colour schemes, compared to more conservative European demands.

By 1979 already half the components for the car were being sourced in North America.

"Our objective is to be fully sourced from North America except for engines and transmissions — and eventually even those," he declared.

He talked about a second plant being needed if VW was to achieve its 5 per cent market share objective. Indeed, a second plant was started at Sterling Heights, Michigan, but work stopped before completion. Ironically, VW sold the half-finished plant to Chrysler, by that time rebounding from near-death.

In the meantime, VW's dream turned to nightmare. The research had given a good indication of what Americans demanded from a car. But when VW gave it to them, customers changed their minds. What they really wanted, they decided, was a VW car that performed and felt like a vehicle imported from Germany.

Price slump

VW's difficulties were compounded by the steep decline in demand for diesel cars as petrol prices slumped in the States. About half the New Stanton output was to be diesel-powered. Then there was the steady flow of inexpensive, attractive, front-wheel-drive models from the Japanese in particular which increased the competition and left the VW Rabbit looking less distinctive than in its early days.

VW's U.S. sales fell to 200,000 a year or 3 per cent of the market at the beginning of the 1980s. McLernon left the company to become a successful Detroit-based consultant and was replaced by Noel Phillips, moved from VW's subsidiary in South Africa.

Employment at New Stanton actually rose above the promised 5,000 and reached 5,500 at ooe stage. Now it stands at 3,000. The hoped-for component "satellite" operations were few and far between: a company which produces floor coverings and headlining for the cars sprang up in Pennsylvania, as did a plastics concern, and one which manufactures seals for car doors and windows, not only for VW but for GM as well.

But the Pennsylvanians still love VW. Jay Aldrich of Penn's Southwest, the job-attraction organisation funded by local private corporations, says: "The local people are sympathetic about VW's difficulties, and supportive."

VW put an end to persistent rumours that it wanted to sell New Stanton when it went ahead last year with another $200m of investment (including the installation of 66 robots) so the facility could make the new Golf —which is now called Golf, not Rabbit, in the States.

And Dr Carl Hahn, now chairman of VW, made it clear again recently that New Stanton plays an important role in his company's strategy.

He told me: "We have restricted the U.S. operations in a way that enables us to maintain the 'insurance' element and also to take advantage of the high value of the dollar, with all the necessary flexibility. That gives us the best of both worlds. We have a good, one-shift operation at Westmoreland (New Stanton) right now and can live with that.

"With the dollar where it is, it would be foolish to go beyond this point."

Kenneth Gooding

THE ARTS

Television/Christopher Dunkley

Drama series dished out in dollops

Television may not be expanding either its range or its quality very much at present, unless you count as an expansion the tendency to produce ever more low-brow material (and in a true mass medium perhaps you should, however little it may affect the more discriminating viewer). There does, however, appear to be a definite increase in sheer bulk. This is manifest not only in the steady spread of general interest material into daytime hours previously filled by educational or other specialised programmes, but by the launching of new series at virtually all times of the year.

True, the start of the spring and autumn seasons are still the favourite times to begin major prestige series. Moreover the new habit of launching series at other times occurs partly as a result of a change in scheduling techniques. Once upon a time a series such as the Australian drama *Bodyline* (about the notorious English Test attack on the Australians in 1932-33) which started on BBC2 on Monday would have lasted through an entire season, spread out in 10 weekly episodes of 45 minutes.

BBC-2 Controller Graeme McDonald has opted instead for the modern system of "stripping" the production across five successive nights, in great dollops of 90 minutes, a practice which many viewers appear to prefer. Certainly it seems to achieve better ratings. Another of this week's new series, *Jenny's War*, which started on ITV on Monday, looks like an ideal candidate for stripping but is actually being shown in four one-hour episodes on successive Mondays. However the point is that neither series will be contributing to the sort of slow seasonal turnover which was until quite recently the rule in television.

Whatever the reasons—different scheduling techniques or an increase in total output, or, as seems likely, both—the time when a weekly column such as this could consider major new series at just three or four points in the year has now passed. In the last couple of weeks commercial television alone has launched the drama series *Octopus*, *Murder She Wrote*, and *Connie*, and tonight will launch *Bulman*. They have also started the documentary series *Losing Track*, *To Be A Yellowbelly* and *Heritage: Civilisation And The Jews*, and a situation comedy called *Mog*. Sitcoms will be the subject of a separate column soon, but it is high time for a word about those other new series before yet another wave overtakes us.

Exemplifying the increasingly international nature of television, the three drama series come from three different countries: *Octopus* from Italy, *Murder She Wrote* from the U.S., and *Connie* from the UK. Each is an entirely conventional example of its sort: *Octopus* a police thriller, *Murder She Wrote* a whodunnit with an amateur sleuth, and *Connie* a family business drama. *Octopus* is easily the best of the three, and the only one to which I would willingly return.

Farmwork romanticised: from Channel 4's new documentary series,

Primarily a story about the Mafia and drugs in Sicily, it gains substantially from having been shot on location and from a sub-plot concerning the marriage of the central character, Cattani, which is, for once, wholly credible.

I first saw *Octopus* during the Prix Italia festival in Trieste where it was shown by chance, shortly after a chilling documentary about the Mafia. The detailed similarity between the murder of a young policeman in a bar documented in the factual programme and the murder of a young policemen in a bar in the first part of *Octopus* is anything but coincidence. The great virtue of the drama series is that it is neither romantic nor timid about Italy's criminal underworld, but grimly realistic. No doubt that is why the Mafia tried to prevent production.

Murder She Wrote is yet another of those detective series in which some eccentric old biddy (more often than not a writer of detective stories, as in this instance) who is forever blundering around putting her foot in things, turns out in the end to have been streets ahead of the plodding policemen all along. In the opening episode everybody had a motive for murdering the nasty, pointy-nosed, slanty-eyed nightclub proprietor, but Howard Griffin was found wearing a frock and standing over the body with the murder weapon still smoking in his hand so we all knew *he* didn't do it. The formula is now so tediously familiar that unless you are—for reasons best known to yourself—a fan of Angela Lansbury, who plays the sub-Marple role, you will leave this well alone.

At least it can be said of *Connie* that instead of sticking to one familiar theme it seeks to harmonise variations on several. Those who saw *The Forsyte Saga* and *The Brothers* before seeing *Dallas* will have no difficulty in picking out reference points. As with the Forsytes, the family is middle class, and the members have cupboards packed Troy-like with layers of skeletons. As with the Hammonds the business (not lorries this time but clothes) is a constant source of envy and plotting. As with the Ewings you can be fairly sure that any character not actually copulating will be either talking about it or recovering from it. Being British the series is fractionally less prudish that *Dallas*—we were allowed a flash of male bum this week—but a lot more prudish than *Octopus*, which, while it stops short of showing what any art gallery portrays, does at least reveal as much as the average Italian beach.

The new documentary series are all on Channel 4, and the best of the three is *To Be A Yellowbelly*, a somewhat baffling title exploiting the Lincolnshire slang for a farmworker. Made by John Goddard, this series does what I have long believed television to be uniquely good at: it shows the rest of society precisely what one particular group has to do for a living. With their appallingly low wages, long hours, and often complex skills (just how complex came out this week in a series of pictures which evoked the engineering and chemical industries rather than the raw food business) the few men left working on the land do seem to get a particularly poor deal.

And yet while the rest of us may, as they believe, overestimate the value of variety and job satisfaction in farming, particularly in comparison to most industrial jobs. Still, with one farm labourer on a combine harvester bringing in produce worth £15,000 a day between July and December, assuming another of this week's claims is to be believed, the discrepancy between the incomes of owner and labourer does seem even more than usually shameful.

Since the U.S. has a Jewish population twice the size of Israel's it is, perhaps, no great surprise that *Heritage: Civilisation And The Jews* is an American series. Unfortunately the producers seem to have learned more readily about the visible and audible trappings of such previous blockbuster documentaries as *The Ascent Of Man* and *Civilisation* than about the creative production skills which tend to be hidden.

Thus we have Abba Eban posed in front of an Israeli skyline, lecturing rather woodenly ("Eh garden . . . Eh nucleus . . . Eh farmer" etc) while a demon orchestra which seems to have escaped from a Hitchcock movie whips up "tension" music in the background. Despite that the opening episode did sustain my attention for a full hour, and since it was largely devoted to Egyptian hieroglyphs, Hittite cuneiform and some pretty unimaginative maps, the subject itself must be fascinating.

If *To Be A Yellowbelly* is the sort of programme in which the power of the pictures almost forces you into a particular political attitude, *Losing Track* is the sort in which particular political attitudes are used to try to force you into the picture. "Company identity was used to produce a servile workforce" asserts the monotonous voice-over describing the pre-war Railway companies. But with no evidence to support such claims the viewer rapidly feels himself irritatedly snapping "Says who?"

Alastair Muir

Deborah Findlay and Stuart Wilson in "The Overgrown Path," which opened last night at the Royal Court Theatre in London

Jacek Strauch/Purcell Room

Max Loppert

Jacek Strauch, the young English baritone of Polish parentage, came to notice several years ago as winner of both the Ferrier Scholarship and the Decca Ferrier Prize. Since that time, he has pursued a mainly operatic career in Germany and France; Monday's recital (for the Kirckman Concerts) was his first here for some while.

In an all-Russian programme Mr Strauch demonstrated that he is a singer of bold style and character, an artist of temperament, intelligence, and dramatic flair. The closing Musorgsky group united all these qualities, and showed that flaws noted earlier (chief among them the habit of landing on the flat side of a phrase, and the tendency to ride hard over smaller note values) had been comprehensively mastered. The singing was now vibrant, brave, and free across a wide compass. There was a quick, vivid manipulation of theatrical "face" — out of "O you drunken sot," "The Seminarist" (a Christoff classic), and the whirling, stamping "Hopak," teeming gallery of Musorgsky portraits was made to emerge. One wondered why Mr Strauch is currently active on the stages of Würzburg, Saarbrücken, and Nice, and not at the Coliseum.

Before Musorgsky, however, had come songs by Chaikovsky, Medtner, Rakhmaninov, and Glier, most of them in a mode of troubled darkness—the lack of variety in the programme composition was a fault that the singer failed to turn to a virtue. And in them Mr Strauch too often adopted a manner of loud bluster which his excitable, unsubtle pianist Iain Ledingham loyally supported, and which in this acoustically uncomfortable hall set the listener's eardrums buzzing. In such a high-charged outpouring as Rakhmaninov's "Arion," the ease with which Mr Strauch rode the high tessitura was undoubtedly impressive, yet one wished that it had been complemented by greater suavity and malleability of approach. This is a singer of notable talent, which now needs considerable refining.

The Japanese in Venice

William Weaver

The link with the Orient is still actively cultivated in Venice. In the beautiful library of the *Fondazione Cini* on the island of San Giorgio scholars come to study the collection of ancient maps and documents; the city's university boasts one of Italy's most active departments of Oriental languages; and the annual Film Festival, under the aegis of the Biennale, has long fostered recognition of the great masters of Japanese film.

And so it was logical that the Kabuki company of the Brilliant Ennosuke III should begin in Venice its brief European tour (which, alas, will not include Britain). Arguably Italy's most charming opera house, the Teatro La Fenice is a versatile theatre (my own first opera there was *Porgy and Bess*); and so the Kabuki *hanamichi*—the gangway known as the "path of flowers" — seem to fit right into the stalls.

Previous Kabuki visits to Italy have presented only anthologies, separate scenes—sometimes quite brief — from the long works of the repertory. Ennosuke, on the contrary, offered a single piece, *The Thousand Cherry-trees of Yoshitsune*. This was not actually complete. When done in its entirety, it lasts eleven hours; and even in Japan, it is always given in excerpts (except by Ennosuke himself, who some time ago presented the full piece in Tokyo, a tremendous feat). But the acts—like the opera of the *Ring*—are entities in themselves. The three that Ennosuke and his large troupe performed made sense, even for the uninitiated spectator.

The star actor played three roles: a great warrior (incarnation of a fox), a ghost, and—in a spectacular transformation—the fox himself. It is difficult to convey the impression of this acting, which is at one terribly real and totally unrealistic. The women, played by men, are superlatively feminine; the battles—in which often no one actually touches anyone else—depict combat better than any Hollywood gunsmoke and cannonfire.

Though very few members of the audience could understand the words or appreciate the chanting or the playing of the samisen, the Venetians—often quickly bored—were clearly enraptured; and at the end of the four-hour performance, they gave the guests a long and hearty ovation, finally moving the staid company to respond with broad smiles and very Western gestures of gratitude and affection.

This has been a Japanese period in Venice. At the Ca' Vendramin—in the apartment where Wagner lived (and died)—there is an exhibit entitled "Japanese Figurative Art 1873-1964," featuring ninety works from Japanese museums.

Most of the works, it must be said, are of no great artistic interest; but they are definitely interesting as social history. The very first paintings show port scenes, with Westerners, just after the opening of Japan; soon Western style houses (a strong New England influence) are visible. Then Japanese artists began studying in Europe, imitating European styles, from pseudo-Corot to Braque-like cubism. Often they painted European scenes and subjects, or, having come home, painted Japanese subjects in European style. Thus Kiyotero Kuroda's 1893 painting of a geisha and her maidservant suggests an artist who has read Loti and is seeing his own country through Western eyes. The painting looks like a pre-echo of Butterfly and Suzuki, a decade later.

Meanwhile, at the Cinema Ritz, you could see a series of Japanese films, a somewhat random selection that included documentaries about Kabuki and tatooing, classics by Kurosawa and Mizoguchi, and more recent works not seen on the normal commercial circuits. Some of these were engaging in their portrayal of modern, daily life in Japan. One, *The long road*, by Sachiko Hidari, sponsored by the railway workers' union, bore on some parts a strong resemblance to those 1930s Soviet films about building a dam and teaching lessons in solidarity.

Though Hidari's story is primitive, her cinematic sense is strong, and the film was beautiful to look at. In the end, it made you want to go to Japan and ride on one of those clean, fast, efficient trains. The film, to Western eyes, might just as well have been underwritten by the State Railways.

London Contemporary Dance/Sadler's Wells

Clement Crisp

Siobhan Davies' most recent creation, *Bridge the Distance*, is at the centre of the two London Contemporary Dance Theatre programmes that make up a brief one-week season in Rosebery Avenue. It is set to Benjamin Britten's third string quartet, whose final movement is subtitled *La serenissima*. This Venetian association is seemingly the key to the work, and a frontcloth by David Buckland proposes various allusions.

The cast is seen in unappealing day dress — Mr Harding Irmer's identity stressed by very Teutonic suiting — and the dancers' activities appear rather ordinary against the white sheeting that is the set. Venice, indeed, seems little more than an excuse: it is hard to relate the permutations of the couples' behaviour to anything of the city's life, or its visual splendour, or those myriad artists who have been inspired by it. Mr Harding Irmer has a solo indicative of sorrow and longing, and there are later hints of Aschenbach's obsession with Tadzio, but the generality of the dancing is subdued, with suggestions of emotional tensions in a taut duet for Lauren Potter and Paul Douglas. It is all very earnest, and not a little obscure.

This first programme begins with Robert Cohan's *Skyward*, which dates from last year and treats of a progress from things of the earth, earthy to matters more spiritual and liberated. There are archaisms of costuming — which is handsome in what looks like Aztec fashion —and a rather demure core by Eleanor Alberga. The rewards come from the dancing of the cast, wholly splendid in dynamism and prowess, with Mr Harding Irmer again the central force, as inevitably he must be by reason of his superb gifts and the integrity of his presence.

There was also fine, if different, dancing in the closing *Rite Electrik*, Tom Jobe's view of the punk sub-culture of disco dance and bondage dress. Driven by Dale Barlow's saxophone the performers strut and pose and offer their innocently aggressive manners to the world. It is a vivid snapshot of the way urban young see themselves today — *Les Rendezvous* for the mid-'80s.

Antonio Meneses/Elizabeth Hall

Andrew Clements

Mr Meneses is a 28-year-old, Brazilian-born cellist who came to his Elizabeth Hall recital on Monday with an impressive pedigree: a string of prizes, including first place in the Moscow Chaikovsky Competition, many prestigious engagements and several recordings to his name including the Brahms Double Concerto with no less than Anne-Sophie Mutter, the Berlin Philharmonic and Von Karajan.

Two years ago he teamed up for recitals with his compatriot Cristina Ortiz and it was she who partnered Mr Meneses here in cello sonatas by Mendelssohn, Chopin and Rakhmaninov.

The Chopin and Rakhmaninov sonatas share both a key (G minor) and a highly charged expressive world, and perhaps it is not perfect planning to include both of them in the same programme. But as Mr Meneses soon made clear, his strength is a big, well-projected tone perfectly suited to the succulent phrases that sustain both works. He demonstrated this generous personality in Mendelssohn's D major cello sonata Op 58, and throughout the evening brought great warmth to his lines. Miss Ortiz's contribution was less successful.

Much of her playing seemed unsettled and strained; certainly it lacked variety and imagination. Whenever a melodic shape passed between the instruments it was the cello that phrased it more memorably. In the Chopin and Rakhmaninov this was a serious shortcoming, for both works require a pianist of supreme confidence and technical dash. Mr Meneses, too, deserved better support; given the right partner, both could have been accounts of great excitement and panache.

Twelfth Night/Regent's Park

Martin Hoyle

Although poor Orsino had to speak the most famous opening lines of any Shakespeare play to a distant aerodynamic throb, the planes and helicopters were kind for the opening of the open-air theatre season in Regent's Park.

Nature herself provided distractions enough. Viola/Cesario's proxy wooing of Olivia took place against a ravishing counterpoint of birdsong. The food of love, willow cabins and patience on a monument all contended with the overpowering beauty of the dusk chorus. The play's second half was noticeably kinder to the actors' voices, and therefore to their abilities to vary their tones.

A portent of things to come was provided by Paul Venables' Duke. With his sandy fringe, slightly self-conscious stance and air of boyish bewilderment, he made a very undergraduate sort of ruler. Down to earth delivery hinted less at a romantic in love with love than at a freshman temporarily distracted from rugger by his first big crush. His endearing earnestness matched Viola's. Alyson Spiro makes Viola into a plucky and serious little figure. The willow cabin speech came out meaningfully, when it could afford, as few other passages can, to be simply savoured for the pleasure of the words.

Richard Digby Day's production is straightforward and conventional. There are none of the sexual ambiguities some directors find in the Orsino/Cesario or Antonio/Sebastian relationships. Honest Antonio may say he adores Sebastian, but this sea captain's pugilistic profile was unperturbed by any palpitating pash. Sturdy Vincenzo Nicoli looked much too normal to be stirred by the winsome wet that John McAndrew (a former RSC Peter Pan) makes of Viola's twin.

Both men and women look uncommonly handsome in early Van Dyck costumes (designer: Tim Reed). Malvolio wears puritan black that naturally sets off his yellow cross garters. John Moffatt plays him with a refined primness at its best in such moments as when he tosses Olivia's ring on the ground before the disguised Viola in contemptuous disdain. His reading of the purported love letter was funny in the accepted way, as time-honoured as the forced mirth that accompanied the exits of the plotters—a bad tradition we could do without.

Michael Denison gives us a Toby Belch who is obviously a retired military man, well-spoken and ruminative, and in Peter Woodward's fights capable of some very nifty swordplay. "She's a beagle," he beams in total approval of Maria; and the pensioned-off Home Counties warrior comes into focus. Elsewhere the portrait is tentative and will doubtless be filled out.

Maria is Ruth Madoc. This likeable, straightforward maid, not noticeably bubbly and socially a cut above the usual domestic, nobly refrains from her *Hi-De-Hi* Welsh accent. Paul Raffield's Aguecheek is the most accomplished and detailed portrayal on show. As so often here, the whole of the summer evening is greater than the sum of its parts. My taxi-driver observed with interest that his one visit to the open-air theatre as a schoolboy had been to the same play for O-level purposes. I suspect the production would have been little different.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 31 – June 6

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to Pinter's early revue sketches; and last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 8243).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Old Times (Haymarket): Pinter's 1971 reminiscent idyll has Liv Ullman and, in the best performance, Michael Gambon competing in the present and the past for a glacial Nicola Pagett. David Jones's smooth production is less monumental in tone than was Peter Hall's: the text is very fine and very funny. (930 9832).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

Saleroom/Antony Thorncroft

Bradford sells Dutch glass

The Earl of Bradford, still struggling to find £8m in death duties on the estate of his late father, sold his collection of Dutch engraved glass at Christie's yesterday for £198,666, rather less than the £250,000 hoped for from the auction. Twenty-one per cent was unsold.

Unusually, the glass had not been in the family for generations. The present Earl started collecting 18th century glass 17 years ago when he was a student. He has sold the 70 lots to raise money to maintain the ancestral home, Weston Park, although there are, currently, negotiations with the National Heritage Memorial Fund to secure its future.

The top price was the £54,000 paid by the Dutch dealer Lameris for a set of 12 commemorative glasses engraved by David Wolff, and others. They were commissioned between 1762-84 for the water-keepers of Heusdan in south Holland, whose task was to ensure that the dikes were well maintained.

A stipple engraved goblet by Frans Greenwood, after Gerit Dou, comfortably beat its forecast at £32,400. It depicts a woman selling fish. Greenwood is generally acknowledged as the most influential of the 18th-century diamond point engravers on glass.

A facet-stemmed friendship wine glass by Jacob Sang sold for £8,100; and Asprey, the London dealer, paid £6,480 for a light baluster goblet depicting a colonial trading scene.

The highest price of the day came in the general glass sale which followed. Delomosne, the London dealer, paid £56,160, over twice the forecast and a record for 18th century English glass, for an unrecorded signed Royal armorial goblet by the famed north eastern glassmaker William Beilby. Produced around 1762 it is inscribed "Success to the African trade of Whitehaven," and was one of a series of goblets made by Beilby to celebrate the birth, in 1762, of the Prince of Wales, later George IV. Eight have come to light so far.

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Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday June 5 1985

Rajiv Gandhi in the U.S.

MR RAJIV GANDHI, the Indian Prime Minister, is now embarked upon a foreign tour that will include his first official visit to the U.S. It is to be hoped that his arrival in Washington will mark a change towards a rather less sterile relationship between these two vast countries than was the norm during Mrs Gandhi's administration.

Her son's youth, his interest in modern technology, his commitment to more liberal economic thinking and his relative detachment from India's prickly post-colonial mentality suggest a greater willingness to steer a middle course between East and West.

Equanimity

But it is clear at the ontset that the U.S. cannot hope for anything more than India's constructive equanimity between the two superpowers. For while the U.S. may see in Mr Gandhi's attitude a chance to advance its involvement in his country and its interests in the region, he is equally being wooed by the Soviet Union, which regards his accession as the continuation of a 37-year-old alliance.

During his recent trip to Moscow Mr Gandhi showed every intention of reinforcing a relationship which has proved very fruitful to India. The Soviet Union has stood by India through three decades and three Indian wars—two against Pakistan and one against China. During the same period the Soviet Union has helped India to build most of its heavy industrial plant. It has supplied India with crude oil and food when these were not available elsewhere.

The Soviet Union has provided India with over 80 per cent of its arms inventory—at very low prices. When India recently decided to diversify its source of arms the Russians redoubled their efforts and offered to supply weapons systems so advanced—such as the MiG 27 and 29 aircraft—that they have not yet been made available to Moscow's Warsaw Pact partners. Given such tangible benefits from India's good relations with Moscow, Mr Gandhi can have no inclination to seek anything but the best from both East and West on his trip to the U.S.

The U.S. has already intimated in most un-Reagan-like fashion that it accepts India's active non-alignment. It has taken practical steps to replace mistrust and argument over India's access to American technology and weaponry with memoranda of understanding between the two countries. One signed earlier this month will permit sales of advanced capital equipment to India, and another is mooted for the sale of weaponry.

A key issue of Mr Gandhi's visit to Washington will inevitably be the U.S. relationship with Pakistan which earns itself substantial flows of American aid and weaponry by appearing a bastion of Western strategic interests on the sub-continent.

Mr Gandhi is extremely concerned that Pakistan may be making itself a nuclear weapon. President Reagan has every reason to assure him that the U.S. will dissuade and hinder Pakistan in any such endeavour, especially now that India is hinting that it may retaliate by making a bomb of its own.

Challenge

The real challenge for both sides is to reduce the mutual suspicion which forms the background to the Pakistan question. This means that President Reagan has somehow to give the lie to Mrs Gandhi's conviction that India does not feature in Washington's view of the world. He has to pledge greater willingness to help India in its economic development, instead of making it difficult for the World Bank to supply constructive concessional finance to the country.

On the Indian side, it means abandoning the facile notion that of the two superpowers it is only the U.S. which specialises in imperialism and colonialism. In a measured manner Mr Gandhi needs to open India to the capital and know-how which the U.S. can supply.

Talking down the money supply

BRITISH MONETARY policy is now visibly pupating, and interested spectators—a small but fanatical band—are wating with some impatience to see the shape and colour of whatever new creature is to emerge from the chrysalis.

The signal of the change came in the Chancellor's recent speech belittling the importance of the traditional indicator of British monetary growth, sterling M3. Since then, other ministers and officals have mounted a quiet but impressive propaganda campaign. The aim is apparently to produce new attitudes and expectations in the financial markets, so that no nostalgic disorder results from the change.

Yesterday this campaign ran intot a small snag. The figures for broad money were so moderate, and so much in line with market expectations, that no test of attitudes was possible. The Treasury did its best to keep up the momentum, pointing out that the figures for sterling M3 were hard to interpret; but after a month in which this aggregate rose at an annual rate of 6 per cent, nobody was worried about interpretation.

Dealers were concentrating on the exchange rate, not because Treasury ministers told them to, but because worries about oil prices are, for the moment, the only visible cloud on the horizon.

Only temporary

Ministers will not be at all upset about this development, even if it does postpone any real test of market psychology (which would be set by a bad set of money figures when sterling was strong). It looks much better to de-emphasise or abandon a target which is being met than to run away from a failure, as happened after the very large M3 overshoot in 1980.

However, orderly money figures are not produced just by happy accident. Last month, a £500m rights issue by Barclays Bank took some of the strain off funding, but the new tap issues show that the pause was only temporary. Funding to offset private sector borrowing continues, perhaps indefinitely — for the Bank of England, which is naturally reluctant to admit that all its efforts in the past were in a meaningless cause, still argues that the figures do contain some meaning if only we knew how to decode it.

We would have had some sympathy with this point of view in the circumstances of the past—when the Bank's task was to fund the Government's own borrowing, and when broad money was read, as was intended, as a signal for fiscal rather than for monetary policy.

Over-funding, however, is another matter. It was invented to enable the authorities to pursue monetary control without changing interest rates, which is a travesty of monetarism; and as is the usual fate of such devices—for example, the earlier corset—it now acts as a distorting mirror for the whole system.

Dominant

If the transactions which have built up official bill holdings (which now far exceed the currency in circulation) distorted only the monetary aggregates, the only problem would be the purely technical one of how to run this portfolio down in an orderly way. However, its size is now so large, and the transactions to refinance it are so dominant in the money markets, that even an exchange rate objective becomes more problematic.

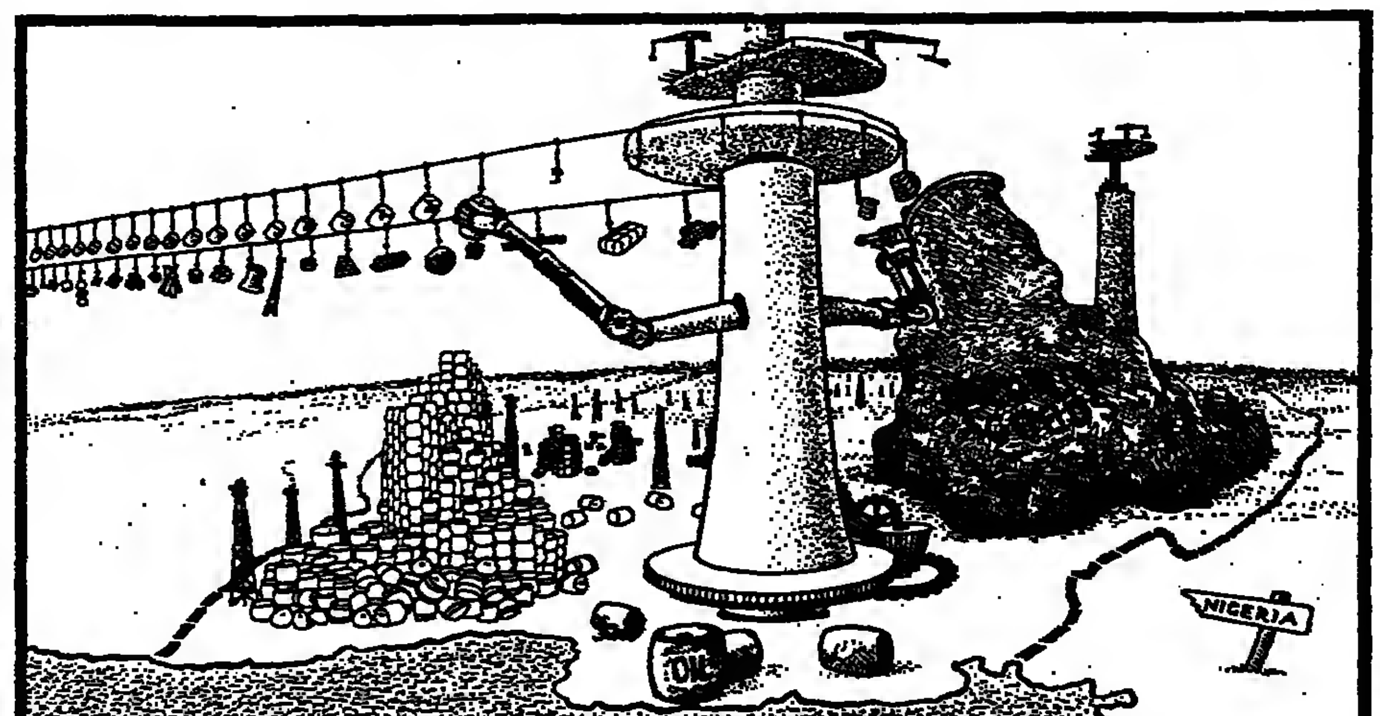
Thereason is that evan in a quiet month, such as that reflected in today's figures, official operations in bills hold the bill rates well below the corresponding sterling Libor rates, so that through covered arbitrage the British bill market has become a cheap source of foreign currency booking.

This would depress spot sterling were it not for the fact that the excessive interest rates, which have resulted from the whole charade, have attracted heavy foreign buying of gilts. When every market is distorted efforts to control an aggregate which the Treasury now regards as unimportant (or at best enigmatic), it is easy to grow impatient with the present pace of change.

NIGERIA'S COUNTER-TRADE GAMBLE

Lagos keeps the IMF at bay

By Patti Waldmeir, Africa Correspondent, recently in Lagos



Michael Daley

AT A TIME when the severity of the economic crisis in Africa is providing more and more converts to the economic policies of the International Monetary Fund, Nigeria is gambling on a strategy for survival without the Fund which has its traditional trading partners profoundly worried.

The strategy is a determined foray into counter-trade, with some $2bn in oil swap deals either concluded or near completion and a host of other proposals still on the table. Hitherto minor suppliers like Brazil, Austria and Italy have been first off the mark with such deals (along with France, which has made an aggressive bid for the Nigerian market in recent years), leaving traditional exporters like Britain, West Germany, and the U.S. scrambling to protect their threatened share of Black Africa's largest market. Britain is likely to suffer most from the emphasis on counter-trade, as its oil-producing economy is almost a perfect mismatch with Nigeria's, making conclusion of oil swap deals difficult. There seems little doubt that Britain wil this year lose its historical position as Nigeria's largest suppler, to either Brazil or France.

For Nigeria, the stakes are high. Although Lagos shows few signs of fearing the wrath of Opec—"Opec is engaged in collective misdemeanor," said one Nigerian official, referring to well-publicised oil swap deals by other Opec members — Nigeria cannot afford to precipitate a downward oil price spiral which would slash overall foreign exchange revenues and could threaten the stability of the military regime of Maj-Gen Muhammadu Buhari.

But if the counter-trade campaign works (it is believed to have strong backing from the Head of State) it could permit Nigeria to sustain its continuing stand-off with the IMF and prove wrong those businessmen, bankers and diplomats who had said the country could not last the year without a three-year loan from the IMF.

Faced with a sharp decline in oil revenues (which provide 95 per cent of foreign exchange) a credit squeeze by the Western export credit agencies and the international banks, and a crushing debt service burden, Nigeria has come under heavy pressure in the past two to three years to adopt IMF-approved economic reforms in return for securing balance of payments assistance.

Indeed, the government's own stark assessment of prospects for 1985—Gen Buhari calculated in his January budget speech that the nation could afford only N3.15bn in imports, less than half their 1984 levels and only a quarter of their 1982 peak of N12bn—had made it appear that the price for resisting Fund conditionality would be further massive job losses and a serious decline in economic activity.

Now Gen Buhari, and other proponents of counter-trade appear to believe that they have found a middle way between the rock and the hard place—although critics both within and outside the government say they have serious doubts. Opponents say the deals are costly, open to graft, and at best only a short-term expedient which will allow government to continue putting off the reforms needed to correct the economy's serious structural imbalances.

The idea is that in return for the chance to export to Nigeria

UK firms fear they may be losing out

(and keep factories working at home while receiving payment on an "as-good-as-cash" basis), Nigeria can find enough new customers for its oil to keep pumping at around the 1.6m bpd averaged so far this year—well above the 1.3m bpd basis on which 1985 revenue projections were made.

Three separate deals have been signed so far and a fourth is on the point of completion. The first agreement, a $500m oil-for-goods deal between Nigeria and Brazil signed in September last year, has been touted by both sides as a model for South-South co-operation—the perfect solution to the severe cash flow problems of both partners.

Under the deal, Brazil's state-owned oil company Petrobras increased its liftings of Nigerian crude by 40,000 bpd, while Cotia, the largest private trading firm in Brazil, contracted to provide some $500m in foods, industrial raw materials, equipment, spares and a large component of completely knocked down (CKD) vehicle assembly kits from Volkswagen Brazil to Nigeria.

Those companies with their ear to the ground in Lagos realised that the Brazilian deal could mark a major shift in Nigeria's trading strategy, and they responded with oil swap offers which they lobbied through government (with heavy support, in most cases, from their national embassies).

The result so far has been a further $500m deal with Scoa, the Paris-based international trading house, and a $200m agreement with Austria's Voest Alpine and another unnamed Austrian trading firm. A $400m oil swap arrangement with Italy's Fiat group and ENI is also believed to be near completion, while the Cotia deal is expected to be increased soon to around $850m. West German companies such as Mercedes Volkswagen, Julius Benger and Mannesmann are believed to be interested while Blue Circle and Beecham's of the UK are also understood to be trying to put together a deal. Numerous French and Japanese offers are also on the table, as well as one from the U.S. and from Canada.

Certainly British firms are increasingly concerned that they are losing out in the most important market in black Africa, and a group of UK companies are believed to have made the first tentative steps towards a counter-trade deal which would involve accepting Nigerian oil and selling it on the spot market, in return for British goods.

They may, however, have to wait. Although Nigeria's goal is thought to be a swap of as much as 400,000 bpd (or around $4bn worth) of oil for goods — of which some 200,000 bpd are already committed or about to be committed — it is understood that Lagos will now observe a temporary freeze on new deals until those now coming on stream can be assessed.

There are believed to be deep divisions within government on whether the counter-trade policy is wise. Oil Minister, Professor Tam David-West, who has defended the deals in public, has been known to strongly criticise them in private, while technocrats in the Ministry of Finance are also believed to be opposed.

Arguments over the wisdom of such deals centre on the following points:

- Supporters say a major advantage is that such deals guarantee automatic access to trade finance, at a time when Western export credit agencies are either off cover for Nigeria or are rolling over short-term cover at very low levels, and when banks are still reticent about providing confirming lines to Nigeria.
- The French and Austrian deals could also have a positive impact on Nigeria's reserve position as 25 per cent of the oil lifted under each deal will be paid for in cash. France's Paris Club partners are highly suspicious of the French deal, fearing that some of the cash could go to pay overdue trade debts to suppliers insured by France's export credit agency Coface. The Paris Club nations have so far maintained a united front in refusing to reschedule these debts until Nigeria reaches agreement with the IMF. But it is understood in Lagos that Coface has refused such an arrangement.
- The anti-counter-trade lobby argues that the prices of goods supplied will be inflated. Under the French deal, for example, Scoa has agreed to compensate Elf Aquitaine, which will actually lift the oil, for the trading loss involved in purchasing crude at Nigeria's official price and selling it at the 10 per cent discount now prevailing on the spot market. Scoa will hope to recoup some of the loss by persuading suppliers to trim their normal "risk margin" on exports to Nigeria and to treat the transaction as virtually a cash sale. They will also hope

The alternatives were simply unacceptable

to put pressure on Peugeot, which is supplying vehicle assembly kits as a large component in the deal, to consider the benefits of avoiding costly shutdowns at its assembly plants in Nigeria and cut its margins as well. But it appears unlikely that the entire oil trading loss could be offset in this way, and there can be little doubt that goods under each of the deals will be imported at a premium. (However, there is evidence that Nigeria may be gaining experience in squeezing these premia, as Nigerian importers report that goods coming in from Brazil are now more reasonably priced than in the early days of the deal.)

- Opponents say the deals reduce normal competition among suppliers, adding that private Nigerian interests have played a large role in determining which companies' counter-trade proposals have been accepted.

But the crucial factor in determining the wisdom of such a strategy must be whether counter-trade brings Nigeria new customers for its oil, or only displaces existing sales. Supporters say Nigeria could not produce at what has been called its "survival level" of 1.6 or 1.7m bpd without oil swap deals to boost sales, and there is evidence that Italy and Brazil, at least, do represent new sales. However, critics argue that Nigeria could sell the same volume of oil by discounting normally, rather than implicitly (as in the deals concluded so far) and would avoid dependence on fixed sources of supply. They point out that the country's average production to end April (i.e. before liftings had begun under any but the Brazilian deal) had been 1.6m barrels.

The bottom line is that the alternatives to counter-trade were simply unacceptable. The austerity which would have been forced on the nation by the foreign exchange shortages foreseen in the budget (based on a 1.3m bpd production figure) might have placed an intolerable strain on Nigerian society. Extra revenues from oil swap deals, on the other hand, may actually allow Nigeria to maintain imports at near their 1984 level of around N7bn, rather than slashing them by more than half as foreseen in the budget, saving many thousands of jobs in the process. The alternative of halting debt service, which was budgeted to absorb a hefty 40 per cent of export earnings in the 1985 budget, also appears to have been rejected, although the tortuous pace with which Nigeria is issuing promissory notes to reschedule uninsured trade arrears has left some bankers questioning its commitment to clearing old debts.

The final alternative, a deal with the IMF, appears as far or further away than ever. Although there was speculation earlier this year that Nigeria might be quietly taking the advice of the Fund as it allowed the Naira to slip in value at an annualised rate of almost 25 per cent the decline appears to have nearly halted since March.

Nigeria is clearly gambling that extra sales above its Opec quota (1.45m bpd, according to Lagos, although Opec still insists it is 1.3m) will not send the already precarious spot market into a nosedive, and that Opec, which is believed to have delivered a strong rebuke to Prof. David-West at its last meeting, will do nothing more concrete than complain.

If the gamble succeeds, Nigeria could use the breathing space gained to tackle long-term reforms, including reducing industry's heavy dependence on imports, which provide 70 per cent of the sector's needs. But in the view of many bankers, businessmen and some senior Nigerians the strategy covers only the short term, and avoids the painful reforms which alone can put the economy on a sound, long-term footing.

Men and Matters

Rothschild's magic circle

To anyone outside the magic circle, the role of the Accepting Houses Committee is obscure. "Elite" is the adjective most often linked with City of London association of 16 merchant banks, but its members include minnows as well as the mighty, and the acceptance business these days is by no means confined to its members alone.

Yet it is still something more than just a high class lunch club. Evelyn de Rothschild, who takes over next month as chairman from Ian Fraser, says its members represent not just an important segment of Britain's private banking business, but also a large chunk of the country's fund management activities. And they hang on to one vital privilege: a special relationship with the Bank of England, which confers a special credit status on them.

The question is whether this can be retained through the period of upheaval now engulfing the City. De Rothschild is suitably discreet about the possibilities of opening up the Committee to a wider membership (maybe even the odd foreigner?). But he emphasises that a small group of senior figures with more or less common interests is likely to be a relatively effective lobbying force. That does not sound like an invitation to Citibank and other such musclemen to join the club.

Will we be hearing rather more of the Committee in the future? De Rothschild thinks it has a rôle to play in reshaping the City, but not one that will bring it into the public eye. "Through the corridors of power, one can still play a part," he says demurely.

Way to Appeal

Whatever else may be said of the promotion from the High Court bench of Lord Justice Glidewell, who took his seat in the Court of Appeal yesterday, it can hardly be described (as have some judicial appointments) as "political."

Glidewell it was who, in the GCHQ case last year, declared that the instruction given by Mrs Thatcher in her role as Minister for the Civil Service that trade unions should be banned from the Government's Cheltenham spy centre, was "invalid and of no effect."

On the way to reaching that decision he criticised Mrs Thatcher's failure to consult the unions and staff beforehand as being contrary to natural justice—or, as he put it, to "fair play in action."

It is a matter of historical record that Glidewell was overturned by both the Court of Appeal and the House of Lords.

The Law Lords, however, were unstinting in their praise of him, and over-ruled him only because what they regarded as the crucial point of law in the case had not been argued before him.

Lord Fraser of Tullybelton expressed his "respectful admiration" for Glidewell's "carefully reasoned" judgment.

Lord Diplock referred to it as an "impeccable judgment" and Lord Roskill said that he had "read and re-read" it with "increasing admiration for its thoroughness and clarity."

Such praise in high places, coupled with Glidewell's demonstration that he possessed the moral and intellectual integrity on which the Lord Chancellor's Department places a high premium when selecting, obviously outweighed the passing embarrassment he caused the Government.

Economic cycle

From a Midlands company magazine: "Cycling is the best way to see the country, and if you take a tent you can have a really cheap holiday. Last year I cycled round the Welsh coast on £20."—In the good old days, of course, you could have done it on a penny-farthing.

Putt down

Henry Cisneros, mayor of San Antonio, Texas, and widely considered a rising star in the U.S. Democratic Party, found himself in a position this week to make a positive contribution to one of the hot political issues of the moment in Japan.

This happens to be the banning by one of Japan's most traditionally-minded golf clubs of Mrs Mayumi Moriyama, a vice-minister at the Foreign Ministry, from a tournament for ambassadors, simply because of her sex.

The club had announced that it would not even allow the Queen or Mrs Thatcher to play during a weekend—and the resulting debate reached the floor of the Japanese parliament.

Prime Minister Nakasone, citing British golfing discrimination against women, more or less said clubs could do what they wanted. Though Foreign Minister, Shintaro Abe, had registered his displeasure by declining to turn out for the tournament.

Enter Cisneros, heading a delegation from the San Antonio region and, like any visitor to Japan, bearing presents for those he was to meet.

The gifts included putters made in San Antonio, and on his programme was none other than Mrs Moriyama, who had been put down for presents of a book and a scarf before His Honour was apprised of the situation.

Of course, this does mean that some unfortunate Japanese businessman or male bureaucrat will be wondering soon why he has been gievn a woman's scarf.

Chemical changes

Tradition has prevailed in the top ranks at Hoechst. Once again a qualified chemist and honorary professor has taken over as chief executive of the West German chemical giant, in the person of Wolfgang Hilger.

But, it seems, the Greens and now the feminists, too, are chipping away at Hoechst's foundations.

Traditionalists and iconoclasts all blossomed forth yesterday in the domed Jahrhunderthalle near Frankfurt at the festive shareholders' meeting where Prof Rolfe Sammet, who has presided over Hoechst with dour sternness for 16 years, presented his last report, celebrating record sales and earnings.

As his successor, Hilger keeps up the general (but not universal) tradition that top men in West Germany's chemical industry are scientific experts who have risen through the ranks.

(The notable exception to the rule is Hermann-Josef Strenger, who took over last June as head of Bayer, where he began as a commercial trainee 35 years ago.)

Hilger, who studied chemistry at Bonn University and has just been named a professor at Frankfurt University where he lectures in inorganic chemistry, has been with Hoechst for 27 years, including 11 years on the management board.

He will certainly have his management skills tested by more than the usual commercial problems.

The Greens have long been crying "polluter" at Hoechst, accusing it of dire effects on land, air and water. So much so that Sammet remarked yesterday that he was worried about the company's ability to go on investing under reasonable conditions in its home state of Hesse.

And a male shareholder put his finger on another potential trouble spot yesterday. Hoechst's top ranks, he pointed out, included only one woman. "This doesn't go with modern times," he asserted, to hesitant but moderate applause.

Observer

European scientific research

Now some questions for the atom-smashers

By David Fishlock, Science Editor

"... This machine is just a model for a bigger one, of course. That's the future road for physics, as I hope you'll all endorse."

Arthur Roberts, U.S. particle physicist, 1946.

ONE OF Britain's top scientists has just finisbed a searching inquiry into the UK's involvement with a major multinational science venture. His inquiry raises far-reaching questions about bow Britain should allocate scarce resources for fundamental research with no immediate commercial application.

Sir John Kendrew has completed his investigation of CERN, the European laboretory for Particle Physics near Geneva, a scientific club devoted to "atom-smashing." He was asked by fellow-scientists in the UK to say wbether Britain is getting valua for money from the £60m a year it spends on this sector of science, of which about £35m is its subscription to CERN.

CERN is Europe's central laboratory for atom-smashing, which is trying to isolate the fundamental building bricks of which matter is made, and explain what holds them together. Intellectually, it has proved a demanding and expensive challenge, partly because of the paradox that the smaller the particle to be resolved, the bigger the instrument required.

Atom-smashing needs bigger instruments than any other sector of science. In effect, they are giant microscopes, powerful enough to peer into the protons and neutrons that make up atoms, and reveal the myriad particles of which these are made. Their design and construction is itself a tremendous feat of engineering.

For the physicists it has also proved a tremendous challenge, for until tha mid-1970s the harder they peered, the more complex matter eppeared. Instead of one basic building brick they found hundreds. Only in the past decade has the fundamental simplicity of structure they always hoped for seemed within reach again. CERN has been at the forefront of this research.

Because of the immense cost of building atom-smashers, CERN has become the kingpin of a European club to which 11 nations contribute. Its staff of 3,500 serve physicists in laboratories throughout Europe.

CERN began as part of e grand plan of European politicians to reunite a war-torn continent through science. Before the war, atom-smashing had released energy from the atom by splitting tha nucleus — nuclear energy. Post-war, the physicists hinted that atom-smashing at deeper levels in the structure might reveal a new source of energy.

Any hope that this might come easily has long been dashed. CERN has become a scientific instituton with its own momentum, necessarily operating on a very large scale. Its budget—about £220m a year—is gleaned from subscriptions worked out on the basis of its member-states' gross national prodoct. (See table).

Sir John Kendrew has been investigating CERN not on behalf of the Britisb Government—its third largest contributor—but for Britain'5s scientists, who find they are faced with far more exciting opportunities for new research than their budget of about £600m can embrace.

Sir John is an excellent choice of "inspector" to conduct such an inquiry. Highly respected in molecular biology, he has been both a government science adviser and the director of a similar European science collaboration.

His report on CERN goes to another biophysicist, Sir David Phillips, chairman of the Advisory Board for the Research Councils and effectively chief scientific edviser to Sir Keith Joseph, Secretary for Edncation and Science. It goes also to Sir John Kingman, chairman of the Science and Engineering Council, biggest of the five research councils and the one which pays the CERN subscription. The SERC is busy drafting its first corporate plan covering all its activities for the next five years, and must decide whether to continne to spend ebout £60m a year on atom-smashing, out of a budget of about £300m.

No one et CERN believes that Britain is going to renege on the "gentleman's agreement," as Professor Herwig Schopper, its director-general calls it, to support the instrument be is building at present. This is a £200m investment called LEP, the large electron - positron (LEP) collider, designed to serve the experimental requirements of nearly 160 European research centres.

LEP is 27 kms in diameter; so big that only an arc falls within CERN's campus, with most of its circular subterranean tunnel penetrating France as the foothills of the snow-capped Jura mountains. CERN's member-states agreed to the investment in 1981, on condition it was financed out of its budget.

At the half-way stage, LEP is keeping close to timescale and hudget with completion forecast for the end of 1988, "within a few per cent" of estimated cost, Prof Schopper forecasts.

For CERN, the big question is whether it will be eble to finance the next atom-smasher. Europe's physicists recognised when they were planning LEP that they were unlikely ever to negotiate a bigger one. But they had a clever idea for building LEP so that its atom-smashing energy—and bence its resolving power as e microscope—could be vastly increased by adding more advanced equipment later.

CERN expects to complete its £200m instrument in 1988. Meanwhile it is already hard at work on the technology for boosting its energy by the mid-1990s. Then it will become LEP 2. The existence of this plan is tacit admission, of course, that LEP 1 is not expected to achieve the ultimate revelations.

At a conference in Vancouver last month to discuss the future of atom-smashers, attended by Prof Schopper and his top staff, the Americans conceded CERN's current leadership. But they outlined bond plans for regaining the lead by laapfrogging CERN in the 1990s with their "super-conducting super-collider," a colossal 160 km in diameter. They expect it to cost at least $3bn, bnt are convinced that the U.S. Government will pay it.

CERN is much less sure that its member-governments will encourage it to remain in a race the costs of which bave been rising, wbile the winning-post remains well out of sight.

One compromise is that CERN might win permission to proceed with LEP 2, but more slowly, so that the project can be funded ont of a static or even e falling budget. This sounds reasonable if the Americans fail to win approval for their colossus, but could be a waste of money if it leaves Europe completing e less powerful machine later than tha U.S.

CERN's problems are compounded by administrative troubles, such as the discovery thet it must top up its pension fund, at a cost that will absorb about 5 per cent of its hudget from 1989-90. It has already concloded that it must begin to cut its scientific staff. Henceforth it will be replacing only one in every two who leave.

CERN has mounted an internal study of its problems. Tbe task has fallen upon its Nobel prize-winning Italian physicist Dr Carlo Rubbia—potentially its next director—who has been asked to draft a plan for the laboratory's long-term future. That future may lie in co-operation rather than competition with others to build the next atom-smasher.

Britain's critique is not the cause of CERN's deep-rooted troubles. The Kendrew critiqne may even belp by explaining for a wider scientific audience the significance of CERN's achievements and ambitions.

Even though the goals of the particle physicist remain esoteric, the technology of atom-smashing already finds other uses. Miniature versions of atom-smasbers are now widely available for other kinds of research, inclnding the most advanced biological and medical science.

In the U.S. and tha Soviet Union, the technology is also being explored as a potential weapon, capable of directing destructive amounts of energy over long distances at almost tha speed of light. CERN's convention expressly forbids work for the military and stipulates that "the results of its theoretical work shall be publisbed or made generally available." But member-states remain free to use the experience they gain through CERN. Prof Scbopper himself accepts that "what we cannot avoid is people using our results."

What CERN most urgently needs is more people in more activities to be seen to be using the results of research which, in tha past, has given immense satisfaction to just a handful of physicists at the frontiers of their science.

Sir John Kendrew

CERN'S INCOME 1985-87	%
West Germany	24.90
France	20.23
United Kingdom	16.91
Italy	13.56
The Netherlands	5.39
Spain	4.94
Sweden	4.01
Switzerland	3.87
Belgium	3.61
Denmark	1.98
Ireland	0.60

Based on UN estimates of GNP for the late-1970s

Atom-smashing needs bigger instruments than any other sector of science

The privatisation of British Gas

A delicate balancing act for the regulators

By Gerald Manners

IN ANNOUNCING the Government's decision to sell the British Gas Corporation to private investors, the Secretary of State proposed that realistic tests of performance would be substituted for bureaucratic or political ones.

It will be necessary, however, for Government so to regulate the private corporation that it cannot abuse its considerable market power. Partly this can be achieved by Government retaining some of its existing functions, and partly by establishing e new and independent agency—call it, say, the Office of Gas Reguletion and Efficiency (OGRE)—which will be charged with protecting the public interest.

The nature and the likely effectiveness of this regulatory body will substantially influence the financial prospects of the Corporation, and will affect the valuation placed upon the BGC by the financial markets. The Gas Corporation and the City of London will both undoubtedly press for the minimum amount of interference in the private utility's affairs. And the Governmant, anxious to maximise British Gas's present worth, might be tempted to do the same.

However, Ministers have other and longer-term responsibilities

Certain powers over the gas industry must remain in the hands of Government. At the prodnction stage of the industry's operations, only the Government can ellocete exploration and production licences and set the industry's fiscal regime.

Through its statutory powers over the construction of undersea pipelines, the Department of Energy has an influence upon the origin and the scale of gas imports.

The Government in consequence will continue to bave a major role not only in influencing the scale and the origin of gas supplies available to the private utility bnt also, lues directly, their beachhead price.

It is at and beyond the beachhead that the Government could yield some of its historic functions to an independent regulatory body. For example, OGRE could serve as an arbiter in disagreements between the Gas Corporation and the explorer-producers. It could also take over the task of supervising tariffs for the gas transmission system if and when it is used as a common carrier. In the market place, OGRE would undoubtedly have to oversee changes in th ecorporation's and the area boards' tariff structures.

The criteria on which OGRE will be required to make its judgments will have to be clearly and publicly defined in the enabling legislation. And the monitoring of consumer service and of safety standards throughout the distribution system will also presumably pass into the hands of the regulatory body. OGRE will doubtless absorb the work of the Gas Consumer Councils.

But there is e further area wbere careful thought about the role of a regulatory body is required. It follows from the increasing recognition both nationally and internationally that the structure of energy markets frequently permit and even encourage a serious misallocation of capital resources between the supply industries on the one hand and the opportunities for energy conservation and demand management on the otber.

Government must retain some powers over the industry

While some North Sea investments, like many energy efficiency measures, yield e very bandsome return and have payback periods of two, three and four years, some investments are almost certainly being made in the gas supply system wbich have very mucb lower rates of return. After all, the formal investment criterion for nationalised industries is a real 5 per cent internal rate of return. Yet ebundant opportunities for energy efficiency investments yielding double or three-times that rate abound.

Can OGRE he so establisbed that it will serve both gas consumers and the national interest by so doing?

In some parts of the world, public and private gas utilities heve been obliged to play an active part in promoting energy conservation, offering for example free or subsidised home energy andits and encouraging investments in demand management through say, the promotion of third party finance. Utilities in some Stetes in the US have been required for some time to demonstrate to their Public Utility Commissioners that any new investments they might like to make in securing further energy supplies are likely to be more advantageous to their consumers than alternative investments in energy conservation. Tho benefits of such procedures sbould be captured for consumers in this country. They would sit logically alongside the work of the Energy Efficiency Office. Tbey would beighten the visibility and accelerate the adoption of conservation opportunities throughout the whole energy economy. But there are problems.

Most of tbe investment in new gas supplies is and will continue to be made by national and international oil companies. The Corporation generally purchases its gas from them, and investment in its own production facilities is the exception rether than the rule.

Second, it would perhaps be wrong to impose a responsibility for conservation initiatives upon the gas industry, wben a similar responsibility is not required of the electricity, coal and oil indostries.

However, the utilities' have such a privileged position in the energy market that their responsibilities to encourage a more balanced approach to the satisfection of energy needs cennot be qualified indefinitely. The need to create an OGRE, therefore, provides an exceptional opportunity for the Secretary of State for Energy, who has pot so much of his personsl authority behind the promotion of a more energy efficient Britain, to devise e means wbereby the balance between investment in new energy supplies and investment in energy demand management can be examined in public

The author is Professor of Geography at University College London, and Adviser to the House of Commons Select Committee on Energy.

Letters to the Editor

Retention of wages councils

From the Director, Low Pay Unit

Sir,—Samnel Brittan's fervour to abolish wages councils (May 30) appears to have developed into a form of "supply-side paranoia." The symptoms of the condition are disturbing: the patient begins to lose grip on reality, believing himself to live in a world which conforms to that described in the economic text-books. This leads to delusions that markets left to themselves will always optimise efficiency, employment and well-being. This last conviction takes on the role of a self-evident truth, such that those presenting evidence to the contrary are considered to be motivated by self-interest or malice. In serious cases, the sufferer can also experience tunnel vision.

In Samuel Brittan's case the condition seems to have been triggered by the shock of discovering that the abolition or serious weakening of wages councils has met with widespread opposition. The Low Pay Unit is dismissed as a pressure group—part of the "industrial relations establishment." The CBI's opposition to wages council abolition is characterised as a fear of competition. The all-party House of Commons employment committee which recommended the retention of wages councils is described as lacking impartiality (except of course Mr Peter Thurnham, the one member of the committee who wanted the councils abolished on the grounds that we would be better off "if the country was one sweatshop"). No doubt the Home Office committee of inquiry, which also recommended the retention of wages councils, was similarly biased in its motives. But what of the Church leaders, members of the Conservative party, and the rest of the general public who, according to a recent opinion poll, favour the retention of minimum wage protection?

Mr Brittan will argue that these misunderstood the economic realities of life in his text-book world. Patrick Mioford end Peter Tburnham might beve been among the 7 per cent of respondents in the north-west who favoured abolition of the wages councils. But this is itself no indictment of the economic validity of the views of the 89 per cent who favoured their retention.

Chris Pond.
Low Pay Unit,
9, Upper Berkeley Street, W1.

Raising the VAT ceiling

From Mr A. O'Donnell

Sir,—Would not the demand by Customs and Excise for an increase in manpower to combat the ever increasing growth of the illegal drug industry, further increase Government spending?

Could not this demand be partly met by redeployment, simply by raising the limit for business registration for VAT to £150,000?

It is my understanding thet 90 per cent of VAT raised, comes from 10 per cent of businessee so registered. The 10 per cent VAT remaining is raised by the other 90 per cent of registered businesses, requiring the largest number of Customs and Excise staff to collect and administer the smaller amount of tax so raised (10 per cent). This manpower could usefully be transferred to combatting the ever increasing drug problem at very little extra cost to governmant.

A further bonus would be achieved by the increased profitability of tha previously registered husinesses by tha removal of this costly overbead thus increasing the tax yield for the Inland Revenue.

A. O'Donnell.
National Federation of Self Employed and Small Businesses,
136A Babbacombe Road, Bromley, Kent.

Import controls on cars

From Mr R. J. Moreland

Sir,—Yon report (May 31) Mr John Smith — Labonr's spokesman on Trade and Industry—as stating that the Labour Party would impose import controls on car imports.

I suggest Mr Smith would find that sucb action would quickly bring trouble. Most of our imports of cars come from the other member states of tha European Community and from Spain, which is shortly to become e member. Under onr treaty obligations such controls on E.C. imports would be illegal. Indeed I suggest, regardless of E.C. membership, such action would also cause retaliation against our exports.

The answers to the problems of the car industry lie primarily in improved prodnctivity, marketing and industrial relations. In other words the answers lie in the UK and not in restrictive attitudes towards others.

Robert J. Moreland
7 Vauxhall Walk, London SE11.

Admiring Huguenot virtues

From Mr Randolph Vigne

Sir,—Membership of this Society is not, as stated by Sir Roy Strong in his review of the Huguenot exhibition et the Museum of London (May 23), only for "those of proved descent from those who fled from France when Louis XIV revoked the Edict of Nantes" (1685). The forefathers of many of us took refuge here from 1530 onwards, and perhaps as many again (including officers and council members) claim no Huguenot ancestry, but all subscribe to our objects: the publication and interchange of knowledge about the Huguenots, and the forming of e bond of fellowship among those who wish to perpetuate the memory of the Hugoenot refugees and admire their characteristic virtues. As this was Sir Roy's only factual error in his excellent review (and does rather misrepresent us as ancestor-worshippers) perhaps you will not think us ungracious to seek this correction.

Randolph Vigne, President.
Huguenot Society of London,
Huguenot Library,
University College,
WC1E 6BT

Bread quality wheats

From Mr B. C. Read

Sir,—In John Cherrington's article on May 21, highlighting the problems being faced to ensure that agricultural and food researcb in this country gives the industry and the consumer what it needs, there is an implication that our plant breeders have only prodoced high yielding wbeats of animal feed quality.

This fails to recognise tba achievements both of the plant breeders and of the British milling industry over the past few years. The facts are that the proportion of home grown whaat used by British millers bas increased from just over 40 per cent 10 years ago to the current figure of 82 per cent. This has been achieved in part by research into new techniqnes by the British milling industry, including its own research association but equally important by the availability of quality varieties, most of which were bred by the Plant Breeding Institute at Cambridge.

In the current list of wheat varieties recommended by the National Institute of Agricultural Botany in their advice to farmers, two of the highest yielding new varieties, Moulin and Brimstone, which will be available to farmers over the next few years have tha bread-making quality required by the British milling and baking industries and there are other varieties of the same quality in the pipeline.

Let us recognise the echievements of the scientists, the farmers and the millers working together in partnership to provide what the consumer wants at the lowest possible cost.

Bryan C. Reed.
PO Box 9, Cty Flour Mills,
King Street, Norwich NR1 2DE.

Trade boards and unemployment

From Frank Field, MP

Sir, — Professor Dennison (May 28) takes Lord Kaldor to task for his eccount of tha trades board protecting the efficient firms against "the intrusion of a large number of parasitical firms who were highly inefficient but who could nevertheless compete with the old-established firms by making use of sweated labour."

Professor Dennison tells us that Lord Kaldor's account, based on a lecture by R. H. Tawney, "is completely illusory." Professor Dennison, though perhaps not all your readers, will know that the lecture referred to was an inaugural one Tawney gave on his appointment to the Ratan Tata Foundation. This body carried out four major studies of the impact of the trades boards. One of the questions to which the foundation addressed itself has a topical ring, namely, whether a minimum wage causes unemployment.

I have a copy of only three of these studies, and each of them—on chain making, paper box and tailoring—reports little evidence of workers becoming unemployed. But Tawney remarked that "new workers would be taken on less frequently."

So it would appear that the study of what actually happened when Britain first introduced a minimum wage—as opposed to what the theorists say will occur—has lessons for both sides of the current debate. A minimum wage set at a modest level can help the poorest workers. The Ratan Tata studies show that firms were qnick to adapt to modest wage increases without making adjustment to unemployment levels. Ona cannot, however, argua from this that e minimum wage set at two-thirds everage earnings and achieved over a three-year period will likewise have no effect on the level of unemployment. It clearly will. Similarly, it is important to underline Tawney's point that the move, while benefiting those in work, had important repercussions on the level of recruitment.

While it would be foolish to argue too mnch on what happened 75 years ago, likewise it would be wrong to dismiss totally what Tawney and his researchers recorded.

Frank Field,
House of Commons

FINANCIAL TIMES
Wednesday June 5 1985

Technip rescue approved by Paris

By David Housego in Paris

TECHNIP, Franre's leading process and industrial engineering contractor, yesterday obtained FFr 2bn ($214m) of new funds under a rescue package designed to wipe out losses and put the company back on its feet.

At the same time, Mr Pierre-Marie Valentin, appointed chairman in February, is expected to seek further job cuts among the 2,300 employees in an effort to make Technip more flexible in line with similar changes amoog Far East and U.S. contractors.

Technip, which has traditionally been a heavily staffed company geared to winning large turnkey contracts, has suffered from the drop in refinery and chemical plant construction worldwide, and from the growth of competition among oil producing countries.

Under the rescue plan drawn up on government initiative, French banks are to write off FFr 428m of loans while extending fresb credits of FFr 400m. The group's main sbareholders have also agreed to put up FFr 1.1bn to wipe out existing losses and reconstitute the group's capital with a oew FFr 300m equity base.

Under the new capital structure, Elf-Aquitaine, the state-owned oil group, will bold 33.1 per cent of the shares, the Institut Français du Petrole 27 per cent, Total 13.3 per cent and Gaz de France 13.3 per cent. Elf will also temporarily bold a 13.3 per cent stake for a financial institution that bas yet to be oamed.

Elf has made no secret of its dislike at being drawn so heavily into a rescue operation for Technip.

Last year it resisted moves to increase its share in Technip's capital from 25 per cent to 33 per cent on the grounds that it did not believe the engineering group should be so dependent on one oil company.

Newly audited accounts by Arthur Andersen are believed to have put Technip's consolidated losses last year at close to FFr 1.8bn. Technip has still to publish its 1984 accounts, however.

These losses stem in part from the deficit run up by Creusot-Loire Enterprises, the engineering company which Technip purchased before Creusot-Loire, the parent group, went bankrupt.

But the losses also include heavy provisions for Middle East contracts which Technip took on sometimes at a loss to sustain activity in a falling market.

Under the chairmanship of M Valentin, a former finance director of Elf's chemical division, the group is being pusbed more towards engineering consultancy work to make maximum use of its skilled engineering team.

Peugeot given FFr 2bn state loan for car launch

BY PAUL BETTS IN PARIS

THE FRENCH Government has granted Peugeot, the private Freoch car group, a FFr 2bn ($214m) loan to help finance the company's new investment for the launch of a new mini car next year.

Peugeot had applied for the loan at the end of last year from the French Government fund for industrial modernisation.

The loan will support the investment at the Peugeot group's Citroën plant at Alnay, near Paris, which will produce a new Citroën mini next year to replace the existing Visa.

M Jacques Calvet, chairman, confirmed last night that the fund had approved the loan to the Peugeot group.

The medium-term loan carries a 9.25 per cent interest rate which is below the prevailing interest rate in France of around 12.5 per cent. The fund advances loans to support French industrial projects. Renault, the troubled state-owned car group, is also expected to receive a similar loan from the fund this year.

Moreover French Government sources have confirmed that the Government had agreed to the financing package requested by Renault to help the state car group reduce its huge financial charges and belp it on its way to recovery.

Peugeot had hoped to receive a oew loan before the end of last month. However, it now expects to receive the funds in the course of the summer.

The French private car goup has argued that the loans from the industrial modernisation fund do not constitute a straight subsidy because of the unusually high level of interest rates in the French market.

At a time when inflation is running at about 7 per cent and interest rates are at 12.5 per cent, the French car group claims the 9.25 per cent rate of its new loan represents a reasonable market rate.

Peugeot last night reported lower losses of FFr 341m last year, compared with a group loss of FFr 2.59bn in 1983.

M Calvet said he expected the company to break even this year after several years of losses.

M Calvet warned, however, that there were still uncertainties which could jeopardise the group's return to the black this year.

The outlook for the French and European car markets continued to be a source of concern as were group sales to Iran and Nigeria.

The lower than anticipated losses last year include an extraordinary gain of FFr 775m from tax carry-back credits on losses from previous years.

Without this special gain, group losses totalled FFr 1.116bn last year, or 57 per cent less than in 1983.

The group also saw an increase in investments last year which rose to FFr 4bn from FFr 3.67bn in 1983. The group expects to see a sharp increase in investments this year connected with the launch of the new Peugeot medium-sized car later this year and the introduction of a new Citroën mini-car next year.

The group expects to maintain a sustained rate of investment in coming years.

Peugeot group sales rose 6.9 per cent last year to FFr 91bn compared with FFr 85bn the year before. Group sales were boosted by the commercial successes of the Peugeot 205 supermini and the Citroën BX. The French market accounted for 46.8 per cent of sales last year, the other European markets for 37.4 per cent and sales outside Europe the remaining 15.8 per cent.

The group, following major restructuring in past years, managed to hold operating costs down last year to a little less than 6 per cent. M Calvet said the workforce had been reduced by 8.5 per cent from 181,500 in 1983 to 165,600 at the end of last year.

The group's long-term borrowings last year totalled FFr 1.769bn compared with FFr 1.188bn the year before. The increase in long-term borrowing was designed to consolidate group debt and strengthen capital funds.

Arthur Smith, Midlands Correspondent, in Birmingham adds: Talbot, Peugeot's UK subsidiary, is to lay off about balf of the 2,250 workers at its Coventry engine factory from next Monday because of problems with its export contract with Iran.

Work on the £130m ($162.5m) a year contract to supply car kits for assembly in Iran is being halted because stocks already stand at 30,000 – about four months' supply.

Austin Rover urged to buy Honda engine to save £250m

FINANCIAL TIMES REPORTERS

THE British Government is understood to have approved the BL corporate restructuring, but is urging Austin Rover, the volume cars company, to buy an engine and gearbox from Honda of Japan – a move that could cut about £250m ($320m) from the planned £1.8bn investment programme.

Mr Harold Musgrove, the Austin Rover chairman, is expected to open talks with Honda on the engine BL requires to power the replacement for the current Metro model, scheduled for the late 1980s. Whether a deal might be struck with the Japanese remains in doubt. Mr Musgrove is committed to Austin Rover retaining the ability to design its own engines, without which, he argues, the UK will become a mere assembler of cars, dependent upon outside technology.

But the UK Department of Trade and Industry, which has been examining BL's five-year corporate plan since it was submitted last November, has recommended that the company should seek a deal with Honda. The move reflects concern about Austin Rover's market performance, and buying a Japanese engine was one of the series of alternative economies suggested by the Prime Minister's policy unit, but originally rejected by BL.

Backing has been given for the proposal that Austin Rover should assemble Honda cars under contract. The first cars go in at the Longbridge plant, Birmingham next year.

Austin Rover would bave to invest more than £30m in its facilities to build the Japanese cars, which could climb to a volume of around 100,000 a year within three years. Honda will have no equity stake.

For Austin Rover, the deal provides volume for its under used production facilities. For Honda it will give a platform from which to sell into the European Economic Community.

Agreement has also been reacbed to develop jointly a new middle range car, code named the YY, which will eventually replace the present Maestro and Rover 200 models. A Government statement on the BL corporate plan has been expected for some weeks. The issue of the Japanese engine has emerged as a political issue, with the Labour Party and the trade unions backing Mr Musgrove's argument that Austin Rover must retain the capacity to design and build new engines.

But a viewpoint which seems to have gathered support within the Government is that increased collaboration between Honda and Austin Rover will strengthen the state-owed company in the short term and pave the way for eventual privatisation.

It is argued there will be no overall loss of jobs at Longbridge, where the present Metro engine and gearbox are manufactured, since additional labour would be required for assembly of Honda cars.

Slower growth in UK money supply

Continued from Page 1

the last three months was 19 per cent.

Inflation figures due out later this month are also widely expected to show a further acceleration in the annual inflation rate, perhaps to 7½ per cent. That would leave room for only a very small – perhaps ½ point – cut in base rates.

London brokers James Capel estimated that if the Treasury was to meet its target of keeping sterling M3's average annual growth rate over 1985-86 down to 9 per cent or below, then there was scope for monthly increases of only ¼ per cent.

Government officials, however, were playing down the significance of the recent strong growth in the broad money supply measure and of bank lending to the private sector, which rose by a further £1.4bn ($1.79bn) in May.

Instead they were emphasising the ¼ per cent fall in the narrow money supply measure, Mo, which kept it well within its target range, the strength of the pound, and the high level of real interest rates.

The official view, which echoed recent comments by Mr Nigel Lawson, the Chancellor, was that all these factors pointed to present monetary conditions being sufficiently tight.

The Bank of England, nonetheless, showed its desire to maintain the pace of gilt-edged sales to offset growth in sterling M3. It announced the issue of £800m of 10 per cent 2004 Treasury stock for sale in partly paid form from tomorrow.

On the foreign exchange markets the pound fell 1.75 cents to $1.2770 at the Londoo close, partly reflecting an overall improvement by the dollar but also investors' concern over the possibility of a fall in oil prices.

Official figures released by the Treasury, however, show that the authorities were able to take advantage of sterling's strength to buy significant amounts of foreign exchange last months.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	–	–	–	Dubrovnik	–	–	–	Malaga	–	–	–	Salzburg	S	27	81
Algarve	S	27	81	Faro	S	20	68	Malta	–	–	–	Seoul	S	28	82
Algiers	–	–	–	Florence	–	–	–	Manila	C	35	95	Singapore	S	32	90
Amsterdam	S	27	81	Frankfurt	S	27	81	Miami	S	36	97	Stockholm	S	21	70
Athens	F	27	81	Funchal	–	–	–	Milan	–	–	–	Strasbourg	F	27	81
Bahrain	S	34	93	Geneva	F	24	75	Moscow	C	10	50	Sydney	S	17	63
Bangkok	S	34	93	Gibraltar	S	24	75	Munich	S	24	75	Taipei	C	28	82
Barcelona	–	–	–	Guernsey	Fg	13	55	Nairobi	–	–	–	Tangier	–	–	–
Beirut	S	28	82	Helsinki	C	14	57	Naples	–	–	–	Tehran	–	–	–
Belgrade	C	22	72	H. Kong	C	29	84	New Delhi	S	35	95	Tel Aviv	C	29	84
Berlin	S	27	81	Innsbruck	S	28	82	New York	C	30	86	Tenerife	–	–	–
Biarritz	C	20	68	Inverness	F	13	55	Nice	–	–	–	Tokyo	C	27	81
Blackpool	S	19	66	Istanbul	F	23	73	Oporto	F	20	68	Toronto	S	16	61
Bordeaux	–	–	–	Jersey	S	13	55	Oslo	S	22	72	Tunis	–	–	–
Brussels	S	27	81	Jo'burg	S	16	61	Paris	F	28	82	Valencia	–	–	–
Budapest	F	24	75	Las Palmas	–	–	–	Prague	F	24	75	Venice	–	–	–
B. Aires	C	15	59	Lima	S	21	70	Reykjavik	S	9	48	Vienna	F	23	73
Cairo	S	36	97	Lisbon	S	21	70	Rio de J'o	C	29	84	Warsaw	S	23	73
Cape Town	S	19	66	Locarno	F	23	73	Rome	S	30	86	Zurich	S	25	77
Caracas	S	27	81	London	S	22	72								
Casablanca	C	22	72	Los Angeles	S	22	72								
Copenhagen	S	26	79	Luxembourg	S	26	79								
Corfu	S	27	81	Madrid	S	23	73								
Dublin	S	16	61	Majorca	–	–	–								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

London 'knew of plan to close Lear Fan'

Continued from Page 1

cy – under which the assets of a company are normally liquidated – but has so far made no filing, according to Denver court officials.

The Learavia and Lear Fan Corporation filings, made in Reno, Nevada, followed the appointment of a receiver by the British Government for the Northern Ireland arm of Lear Fan 10 days ago.

The appointment of a UK receiver followed the closedown of the group's Belfast manufacturing plant and the project's Nevada research and development operation 10 miles outside Reno.

Under U.S. bankruptcy law a company normally seeks protection from creditors under Chapter 11 while it attempts to work out a reorganisation plan.

Ms Sheryl Skikin, a local lawyer who prepared the filings, confirmed yesterday that the filings were made "with the intention of reorganisation." She said that details of the filings, which will list assets and creditors, will be available in about 10 days. Sbe added, however, that the two companies had "few assets" and were not the major units in the Lear Fan group.

In Nevada the state's labour commission confirmed that about 84 former Lear Fan workers have filed complaints against the group claiming pay and other benefits. The commission said it has begun an investigation into the collapse and would prepare claims against the company on behalf of the workers.

About 105 workers were employed at the Reno facility when it was closed down. Most of those workers, like their colleagues in Northern Ireland, are now looking for new jobs.

● Our Belfast correspondent adds: The Northern Ireland Industrial Development Board, which had hoped the project would create 2,500 jobs in the province, yesterday refused to disclose wbether the company or the Government initiated the moves to cease trading. It had been rumoured in Northern Ireland late last year that the Government had suggested calling a halt because of the mounting technical problems.

The IDB whose nominee directors were Mr John MacAllister, one of two deputy chief executives of the IDB, and Mr Bill Stafford, managing director of Davidson, a Belfast engineering company, said it was not prepared to discuss what went on at board meetings of the company.

Dr Rhodes Boyson, the Northern Ireland Industry Minister, revealed in a Commons written reply on Monday that the Government was taking legal advice on the question of who owned the rights to Lear Fan's technology. The Government has also appointed a receiver who will help unravel the complex agreements between the Government and the private backers of the venture.

Dr Boyson admitted the Government was unlikely to recover much of tha £56.28m ($72m) it had put into the project. It was clear that the company had no major financial resources.

He revealed a breakdown of the Government aid. Up until September 1982 the Government had provided £25.32m, and under a new agreement last year had paid out a further £17.87m. In addition other grants amounted to £1.28m.

The Government will also lose £11.81m over which it stood as guarantor to the Ulster Investment Bank.

However, Lear Fan's decision to stop trading released the Government from its commitments to pay $4.79m which was still outstanding to the company.

Hoechst chief warns on Greens

By John Davies in Frankfurt

THE OUTGOING head of Hoechst, the West German chemical concern, has charged into a political minefield by voicing fears about party manceuvring in the company's home state of Hesse.

Professor Rolf Sammet, who retired as chief executive yesterday, expressed alarm at the possibility that a member of the Greens, the environmentalist party, might become the state's minister for the environment and energy.

Even before this emerged, he said, he was already worried that Hoechst might not be able to invest in its home state under realistic conditions in the future because of stringent controls.

The idea that a Green might become a minister in the state government was thrown into the political arena recently by Herr Holger Boerner, the wily Social Democratic premier of the state.

Herr Boerner is a staunch pragmatist and a master tactician rather than a supporter of any Green political idealism. By suggesting that the Greens assume a measure of political responsibility, he has launched an offensive to put the Greens on the spot.

What he is after is backing for budgetary proposals so that his administration, which is in a minority state parliament, can stay in office. But he has threatened to call an election if the Greens refuse to cooperate.

For the last few years Hoechst has been engaged in a running battle with the Greens, who have singled it out as an easy political target in their campaign for reduced pollution

West Germany's other chemical companies, including Bayer and BASF, have also felt obliged to mount a steady defence of their activities in the face of environmental and health critics.

Addressing 2,000 shareholders at the annual meeting yesterday, Prof Sammet warned that local politicians should make sure that companies remain able to compete in export markets. He said Hoechst had already been forced to drop a plan to build a coal-fired power station at its Griesheim works near Frankfurt because of politically inspired controls.

Prof Sammet's remarks drew immediate fire from a youthful Green politician, Herr Thomas Schlimme, one of a small band of Hoechst critics at the shareholders' meeting. Hoechst could have built its power station, he claimed, if it had been prepared to include a desulphurisation plant such as those marketed by Uhde, one of its own subsidiary companies.

For several years, members of the Greens bave been exploiting the opportunity of putting their case at Hoechst's annual shareholders' meeting. Having bought Hoechst shares, they have insisted on a right to address the meeting.

Hoechst executives have concluded that they have little choice but to hope for reasonable co-operation on the part of the Greens at these meetings. But the great majority of shareholders are clearly antagonistic to the youthful iconoclasts and regard them as abusing the rights of public company shareholders.

Hoechst sales up, Page 19

London SE reform set for approval

Continued from Page 1

His assurance received loud applause.

The Stock Exchange has been attempting, together with the Bank of England, to keep the cost of entry of outsiders to no more than £700,000 ($896,000) so as not to deter potential participants from using the exchange.

A surprise intervention came at yesterday's meeting from Mr Jeremy Lewis, a partner with stockbroker Seymour Pierce and a member of the ruling council. Mr Lewis was a member of the five-man ad hoc constitutional committee which had drafted the proposals for Resolution 2. He urged that members should vote against the resolution as the constitutional issues needed to be explored in greater detail.

One broker urged that the meeting and the vote should be adjourned until September but that was rejected by Sir Nicholas.

Sir Nicholas asked the members to vote on the resolutions by a show of hands, which one broker estimated went 80 to 90 per cent in favour of Resolution 1 and about 70 per cent in favour of Resolution 2. As the membership had already been told that a full vote of the entire membership was to be taken in a poll today no count of the vote was taken.

THE LEX COLUMN

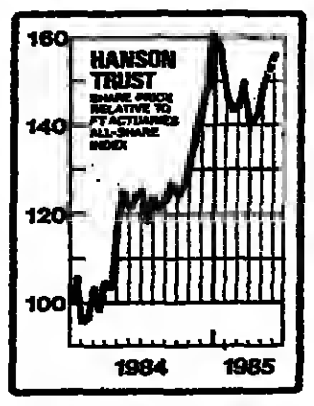
Instant equity from Nestlé

While the members of the London Stock Exchange were deciding yesterday whether to allow foreigners and other aliens on to their floor, Nestlé was pointing the way towards a market which could do without stock exchanges altogether. The Swiss company announced that it was raising SwFr 380m through an international issue of bearer participation certificates, better known in the London market as shares.

By Nestlé's standards, the money involved is fairly modest. The issue will increase the group's equity base by only 2 per cent. But that is hardly the point. Like Alcan and Esselte before it, Nestlé has reached the interesting conclusion that the best place to issue stock cheaply and internationally is not a stock exchange but the Euromarket. The equity is being distributed to the traditional retail buyers in the Eurobond market and transactions will be cleared and settled through the Euromarket network rather than through a stock exchange.

In relation to a conventional London offering, the fees look high at an aggregate 3.5 per cent. But then, as the stock is being issued without a discount to the market price, the fair comparison is with the domestic U.S. market and not London. And in relation to Wall Street the fees are by no means exorbitant.

The advantage to Nestlé is that it secures a more international shareholding base, reflecting the broad spread of its own operations, at an attractive price. The purchaser, meanwhile, avoids the risk of disappointment from an oversubscribed offer and is able to buy and sell the securities cheaply through two euromarket clearing systems. The practice of issuing equity in the euromarket has a number of disturbing implications, not least of which is the problem of investor protection. But, first and foremost, it represents a powerful challenge to the central market.



Hanson Trust

As the ultimate sponsor of the EverReady Derby, even Hanson Trust must envy the instant capital uplift guaranteed the winner of today's horse-racing classic. Still, Hanson continues to show how profitable the everyday business of batteries and bricks can be, displaying a 28 per cent increase in underlying UK profits growth in the half-year to March. If the overall increase was short of expectations, costing 7p on the share price, this was because the City of London unaccountably missed the effect of currency-led imports and lower consumer expenditure on the U.S. textile and shoe businesses.

Conveniently, it is EverReady this time showing the margin improvements of the classic or "sweated" early phase of the Hanson treatment. There is no reason for this not to extend to London Brick – with facing bricks rather than alkaline manganese playing the added-value role. But the same attention to reducing costs should see U.S. Industries, for that matter, adding perhaps £100m to its operating profit this year.

The interim balance sheet shows just how smoothly the Hanson animal is moving. Despite an uncharacteristic addition to working capital (through London Brick) and a mere £30m or so in net cash generated from trading, the conversion of the loan stock has depressed net borrowings to the point where, traditionally, they rebound in a large acquisition.

BankAmerica

Tremors from BankAmerica have become so much the norm lately that nobody should have been greatly surprised at yesterday's warning of a second quarter operating result not much better than breakeven. BankAmerica's earnings have been on a steadily declining trend since 1980, and its return on assets microsopic. Nevertheless, it is worrying that BankAmerica's loan loss provisions for this quarter are to be on an even higher scale than its management thought likely only six weeks ago; such lack of short-range foresight rather weakens the credibility of claims to know that the total write-off for 1985 will be of the same order as 1984's $900m.

Despite this, the embattled position of Mr Armacost as chief executive is probably no more insecure than before: to change drivers at this stage would only compound the bank's troubles by adding another managerial risk. And it does appear that BankAmerica's current problems may just about be confined to its own business and to this quarter; on balance, the operating numbers for the remainder of the year should be improving.

A change in the method of valuing foreclosed mortgages is not likely to recur, and neither is the need to write off an offshore banking subsidiary (not even located in Latin America). The fact that BankAmerica is taking write-downs on condominiums in Florida and Texas rather than in San Francisco at any rate lessens the need to start worrying – on this evidence – about Crocker.

Interest rates

In contrast to last month's astonishing money supply figures, yesterday's set for banking May was reassuringly close to everyone's forecasts. But, while the monetary economists were relieved, the financial markets were a little frustrated at being given no clue to the likely direction of interest rates.

But, while another awful bank lending number yesterday might have arrested a fall in base rates, the monetary aggregates are clearly being subordinated to the exchange rate as a guide to interest rate policy. Indeed the Treasury these days has considerable difficulty in finding the term Sterling M3 in its lexicon of influential phrases. If exchange rates are indeed the key, then the authorities may prefer to wait until the Opec meeting beginning on June 30 before they encourage anything more than a quarter point reduction in rates. Sterling appears unequal to the task of breeching $1.30 at the moment and yesterday shed almost a point on the trade-weighted index. The widening gap between short-term UK and U.S. rates might appear to offer some latitude for a reduction in base rates but calculations based on yield differentials can easily enough be upset by a tumbling oil price.

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SECTION II – COMPANIES & CAPITAL MARKETS
FINANCIAL TIMES
Wednesday June 5 1985

Lurgi remains cautious after upturn in orders

BY JOHN DAVIES IN FRANKFURT

LURGI, the West German engineering and process plant company, has increased its order book this year but is cautiously holding firm to its plans for rationalisation and cost-saving.

Dr Dietrich Ertl, the chief executive, said that all branches of Lurgi's business were fully occupied and even large-scale projects were reappearing after a drastic world shortage of orders in recent years.

But it was still unclear whether this amounts to a turning point in the industry, signalling a new upward trend in orders for plant installation. "We are inclined to be sceptical," he said.

Dr Ertl said that new orders reached DM 1.55bn in the first eight months of Lurgi's current financial year. This compared with new orders of only DM 900m in the whole of the 1983–84 financial year to last September 30 and of DM 1.2bn in the 1982–83 financial year.

Last year's order inflow, however, was better than it seemed, he said, because it did not take account of DM 400m in letters of intent for projects. Most of these had since become firm orders, buoying up the current year's order book.

Moreover, Lurgi had avoided unprofitable orders and had also obtained a number of valuable deals involving just engineering work rather than larger-sounding deals involving the sub-contracting of equipment manufacture to outside suppliers.

LURGI: SOURCE OF NEW ORDERS
Financial year to September 30

	Total (DM bn)	Industrialised countries (%)	Developing countries, Opec, E. Europe (%)
1979-80	1.7	56	44
1980-81	1.8	54	46
1981-82	2.7	46	54
1982-83	1.2	67	33
1983-84	0.9	83	17

Dr Ertl said that as part of Lurgi's continuing rationalisation, outside experts were studying the jobs of 900 employees and Lurgi expected substantial savings from this exercise.

Last year, Lurgi streamlined its structure, concentrating five specialist units into a single company. It has also pressed on with a slimming down process, its workforce declining to 4,600 from 5,400 in September 1982.

However, Dr Ertl said that Lurgi remained expansive in its attitude to research and development and in the recruitment of young qualified engineers. In the last financial year it had contributed a "good profit though not a peak one" to its parent company, the Metallgesellschaft metals and trading concern, but he did not disclose details.

The drying up of world orders for process plant – partly as a result of recession and international debt problems – has brought about far-reaching changes in the source of Lurgi's orders and the kind of projects commissioned.

Eastern Europe and developing countries, including Opec oil producing countries, placed as much as 65 per cent of Lurgi's new orders in the past. But last year they accounted for only 17 per cent.

While many large orders in the past were for chemical plant and installations for other industrial production, more than half of the new orders last year were in the broad field of environmental protection, including projects to reduce pollution from power stations and factories.

Dr Ertl said that Lurgi would receive orders worth "some hundreds of millions" of D-Marks if West Germany's nuclear reprocessing plant was built as scheduled at Wackersdorf in Bavaria.

Lurgi and its partner, Uhde, a Hoechst subsidiary, have entered into the consortium, headed by Kraftwerk Union, which recently won e DM 5.2bn order to build the nuclear reprocessing plant.

Hoechst sales 8.9% ahead at 5 months

By Our Frankfurt Correspondent

HOECHST, the West German chemical and pharmaceutical group, is continuing to benefit from huoyant business after strong first-quarter sales and profits.

Professor Rolf Sammet, the retiring chief executive, told the shareholders' meeting yesterday that parent company sales in the first five months of this year reached DM 6.6bn ($2.14bn), an increase of 8.9 per cent on a year ago.

Earnings were bound to have shown a favourable development, too, he said, but gave no details. Referring to the group's worldwide first quarter sales of DM 11bn, he said: "The information we have for April and May shows a continuation of this good trend."

Prof Sammet himself raised the question of whether last year's record sales and earnings could be repeated this year. Without answering directly, he said: "At the beginning of this year hardly anyone could have thought this was a realistic possibility. Hardly anyone would have predicted that the U.S. dollar would take such a favourable course for us."

With so much of Hoechst's earnings coming from exports, every month increased the chances of a result as good as last year's, he added.

Prof Sammet, who retired from the management board yesterday to become head of the more elevated supervisory board, is being succeeded by Prof Wolfgang Hilger. A trained chemist, Prof Hilger has worked his way to the top in 27 years at Hoechst.

HOW NABISCO BRANDS WILL REDUCE R.J. REYNOLDS' DEPENDENCE ON TOBACCO

Reynolds takes the biscuit

BY TERRY DODSWORTH IN NEW YORK

THE proposed $4.9bn acquisition of Nabisco Brands by R. J. Reynolds, the second largest tobacco company in the U.S., is a mega-merger in the old-fashioned tradition of friendly takeovers. Completely at odds with the hostile, financially inspired bid battles that have dominated the takeover scene over the last two years, the merger's rationale is based on the twin objectives of diversification and product development.

It will turn the tobacco giant into e group generating just over half of its sales in food, out of a total of $19bn – ebout $1bn more than U.S. Steel, and number 15 in the Fortune 500 list. In addition, Nabisco brings into the group some of the most recognisable names in the international food industry, from Planters Peanuts to Ritz Biscuits and Shredded Wheat.

R. J. Reynolds bas made it crystal clear in recent years that it is determined to become something more than a tobacco company. This attitude is derived from long-term strategic thinking rather than short-term financial considerations. Indeed, there are few husinesses that are as profitable to be in these days as tobacco in the U.S.

The present strength of the industry lies in the enormous market weight of the three big groups – Reynolds, Philip Morris (the largest of the U.S. companies) and American Brands. They operate in a highly protected environment, where there is only minimal oew competition, considerable price elasticity and, unlike much of American industry today, no pressure from either foreign imports or deregulation.

They are also highly profitable. Reynolds last year achieved a 26 per cent return on equity, while Philip Morris recorded a 22 per cent return, figures which put both of them up in the same league as IBM in the Fortune 500 lists.

Yet there are clouds on the horizon. The fall in cigarette consumption – down about 2 per cent a year since 1982 – is beginning to look like a consistent trend in an increasingly health-conscious America.

SALES BY SEGMENT ($m)

	1983	1984
R.J. Reynolds		
Tobacco	7,309	7,599
Food & beverages	4,443	4,645
Energy	1,208	n.m
Aluminium	574	730
Total	13,533	12,974
Nabisco Brands		
Bakery prds.	2,397	2,527
Confectionery	773	1,602
Grocery prds.	2,815	2,125
Total	5,985	6,253

Research associate: Rivka Nachoma

Quite apart from the doubts of individuals about tobacco, public bans on smoking are moving rapidly into all sorts of areas which would have been unthinkahle a few years ago.

Smokers are prohibited in many parts of the public transport system as a matter of course these days and the bans are expanding steadily through cinemas, theatres, restaurants and other public places, including some enclosed shopping malls and, increasingly, factories and offices.

Less tangihle, but potentially even more damaging, are the product liability cases being threatened by anti-smoking lobbies and lawyers up and down the country.

It is difficult to measure the odds on how many of these cases may get to the courts, and how effectively they will be fought, but the explosion in product liability litigation in recent years, the readiness of the courts to expand the role of the commoo law in this area and the massive punitive damages that have frequeotly been awarded are all factors that must cause more than the occasional flicker of anxiety in the boardrooms of the tobacco giants.

Up to now, Reynolds defensive diversifications in the face of these challenges have had s patchy record. In the early 1970s, the group acquired Aminoil, the second largest independent U.S. energy company, and the Sea-Land shipping business. Neither company provided particularly good returns, and both tied up an excessive amount of capital.

The sale of each of these operations last year followed more promising diversification into the food industry with a series of acquisitions in the early 1980s. In this buying spree, Reynolds acquired the Del Monte canned and frozen food company, Heublein, the liquor and wine producer, and the Kentucky Fried Chicken fast food franchiser.

The consumer products busioesses proved mucb more palatable than its previous acquisitions, and have given the group the taste for further acquisitions in a consumer and marketing oriented business which shares many of the characteristics of the tobacco industry.

For Nabisco, the takeover opens up the possibility of further growth than it might otherwise have achieved. Emerging in its present form from a merger of four years ago of Standard Brands and Nabisco, the company now ranks at number four in the U.S. food industry.

Its growth has not been particularly sparkling, but its 5 per cent return on sales measures up well against other big food groups such as Dart & Kraft and General Foods, and it sports e 19 per cent return oo equity.

It also has an enormously strong grip on the cookie market, where it is the leading U.S. manufacturer, with 40 per cent of the market achieved with brands such as Chips Andy! Oreos and Almost Home.

Maintaining this leadership is costly, however, in a packaged food market which is becoming steadily more dominated by advertising. Earnings actually fell by 4 per cent last year because of its record promotional spending during what is known as the "cookie war," and its ambitious plans for growth partly depend on the ability to put more cash behind its products.

Reynolds has these funds. At the end of 1984, the tobacco group had cash and short-term investments of $1.3bn, and with long-term debt of only $1.3bn against shareholders' funds of $4.5bn, it also has substantial borrowing powers.

Even after financing the 51 per cent cash element of the offer for Nabisco, analysts say it will have plenty of capacity to fund the food division. Indeed, after receotly completing a big capital investment programme of its own, its tobacco operations are expected to be highly cash generative over the next few years.

Wall Street has decided tha. the complementary features of the deal make it look like a neat fit for both. Despite the mixed acquisition record of the tobacco groups – or, indeed, most oature companies in search of diversification – investors were sufficiently happy with the bid this week to push the company's shares up by $⅝ to $75 on the day of the announcement, despite forecasts of some first year earnings dilution.

Third-quarter gain for Gulf and Western

By Our New York Staff

GULF & Western, the New York-based conglomerate, reported a sharp rise in net income for the third quarter to $53.8m, or 76 cents a share, from $36m, or 53 cents a share, in 1984.

On an underlying basis, however, the company showed no profits growth at all, the results this year being helped by the absence of a $23.7m writedown incurred last year on its food products division, which has since been sold. Adjusting for this item, earnings on continuing operations showed a 9.7 per cent fall to $53.9m

Coca-Cola to cash in $750m receivables

BY WILLIAM HALL IN NEW YORK

COCA-COLA, the world's biggest soft drink manufacturer, is raising $750m by selling some of the receivables of its entertainment operations and may use the proceeds to buy back some of its shares.

Coca-Cola shares rose $1½ to $69⅜ in early trading on Wall Street yesterday, where the move was seen as another sign of the more aggressive management style of the company. Until recently, Coca-Cola has been one of the most conservatively managed groups in the U.S.

Columbia Pictures, which constitutes the company's entertainments division, generates large receivable balances and other value from contractual rights involving the exhibition of its theatrical and television products. It is not uncommon in the entertainment industry for banks to buy these receivables and contractual rights, thereby freeing money for the film studios to reinvest in new picture production.

Coca-Cola said yesterday that "accelerating the conversion of these financial assets to cash will enable the company to reinvest these resources in higher return areas its entertainment and other businesses, to repay a portion of short-term debt, and to make a possible share repurchase later in 1985."

Problem loans hit Royal Bank

By Robert Gibbens in Montreal

ROYAL BANK of Canada, the country's largest, reports earnings were down about 10 per cent in the second quarter ended April 10 and almost 6 per cent in the first half of fiscal 1985.

The bank blamed exceptionally high levels of non-performing loans, mainly in the real estate and oil and gas sectors, and a continuing problem with foreign loans.

Second-quarter net profit was C$100.4m (U.S.$73m).

INTERNATIONAL BONDS

Nestlé floats SwFr 360m certificates

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

NESTLÉ, the Swiss food and consumer products group, is raising SwFr 360m through an international issue of bearer participation certificates, believed to be the first of its kind by a Swiss company.

Led by Credit Suisse First Boston, Swiss Bank Corporation International and UBS (Securities) the deal follows on a trend towards international trading of equities that is rapidly developing in securities markets.

It involves the sale of 300,000 bearer participation certificates which will be priced at today's closing level on the Zurich stock exchange. The existing certificates closed yesterday at SwFr 1,200.

The sale will add some 2 per cent to Nestlé's capital, which currently has a market value of SwFr 14.5bn, and is intended to bolster its equity resources

"We'll have more and more of these international issues," Mr Hans-Joerg Rudloff, CSFB deputy chairman said yesterday. Interest was keen in London and the Far East and the certificates could be placed privately in the U.S. without the disclosure requirements needed for a formal stock exchange listing.

Trade in the shares will be settled through the Eurobond clearing houses Cedel and Euroclear, as well as Credit Suisse in Zurich, underlining the way in which securities distribution channels originally developed for the Eurobond market are now being used for other instruments as well.

But the issue carries much larger fees than a Eurobond. Mr Rudloff said they total 3½ per cent, made up of a 2 per cent selling concession, a ¾ per cent management fee and ¾ per cent for underwriting.

Barclays issues $600m FRN

BY MAGGIE URRY IN LONDON

BARCLAYS Bank yesterday joined the other three UK clearing banks to issue undated floating-rate notes which rank as primary capital.

The $600m issue was not the blow-out that the earlier perpetuals had been and by the close was trading around the 99.40 level at which co-managers own the bonds.

They pay interest at ¼ per cent above the mean rate between six-month London interbank bid and offered rates (Limean), the same margin as National Westminster paid. Fees total 67½ basis points.

The issue will take Barclays' free capital ratio – the proportion of freely available capital to total deposits – from 5.7 per cent at the end of 1984 to 6.25 per cent. It seems unlikely that Barclays' older perpetual issue, launched last year, will be ruled as primary capital. This new issue uses the same preference share formula the other banks adopted.

Also in the Eurodollar floating-rate note market, Merrill Lynch launched an issue for Christiania Bank. Merrill is getting a reputation for skilful repackaging of issues which have not sold well in their original form, and this issue is to replace the "mini-max" deal Christiania did in February.

That deal totalled $75m and had e 10-year life. It paid interest et ⅛ per cent over six-month Libor but with a minimum of 10¼ per cent and maximum 11½ per cent. The issue was one of a short-lived fashion for such deals but has since traded down almost to 98 at one point although the fall in interest rates has allowed it to recover of late.

BHF Bank bond average

June 4		Previous
102.797		102.770
High	1985	Low
102.860		99.840

Merrill has so far bought back about $56m of that deal and is refinancing with this new issue which has a maximum amount of $75m but of which $56m is on offer now. The same management group which ran the old deal has been assembled for this issue.

The new deal also has a 10-year life and pays an interest margin of ⅛ per cent over Libor – an attractive margin by current market standards – and the issue was selling well yesterday, quoted above par. Fees total 50 basis points making it a very profitable issue for the syndicate.

The fixed-rate Eurodollar bond market was still busy yesterday, but prices were overall unchanged as some profit-taking set in while other issues were still moving up.

A $150m issue for Nippon Credit Bank was launched, which comes via the bank's Curaçao subsidiary. Morgan Stanley is lead manager. The 10-year issue is non-callable for life and pays a 10⅝ per cent coupon with a par issue price. The terms looked aggressive, and the issue was trading just within its 2 per cent total fees. The proceeds will be swapped into floating-rate funds.

The Australian dollar Eurobond market is continuing to attract more borrowers. Chrysler Financial is the latest, with e A$45m seven-year issue led by Banque Paribas. The coupon of 13⅝ per cent is one of the highest in the sector at present, although the debt is subordinated and issue price is 100¼. The bonds traded around the 1⅝ per cent selling concession.

In the Swiss franc foreign bond market SBC gave a lead to the trend to lower coupons fixing a 5⅝ interest rate for a SwFr 100m 10-year deal for the State Electricity Commission of Victoria. Issue price is par. The name is top quality – almost Australia risk – and with interest rates moving lower in Switzerland the bond market has a firm tone. Prices were bttle changed there yesterday in low turnover.

UBS is making a SwFr 50m private placement for Keio Teito Electric Railway. The yield on the five-year issue is indicated at 3⅝ per cent.

The D-Mark bond market was also quiet with prices little changed. No new Eurobond issues were launched.

Finland is making a Fl 150m public issue on the Dutch domestic bond market. The bonds will mature in 1995 but have an average life of eight years. ABN is lead manager and set the terms at a 7½ per cent coupon and 99 issue price. A large oumber of foreign co-managers are in the deal.

International bond service, Page 21

EIB $500m Euro backup for U.S. bonds

By Our Euromarkets Correspondent

THE European Investment Bank is arranging a $500m underwriting facility in the Euromarkets to back up an expansion of its borrowing in the U.S. commercial paper market.

Goldman Sachs has been appointed to arrange the deal, which is similar to a $250m operation arranged last year. The underwriting is being syndicated among the same group of five banks – Amro, Bankers Trust, Banque Nationale de Paris, Commerzbank and IBJ International – each of which is taking on a $100m commitment.

Terms on the new facility include a ⅟₁₆ per cent annual fee, the same as on last November's deal. The new deal is, however, divided into two tranches, one of $125m which is available immediately and the other of $375m which is available on 21 days' notice.

The front-end fee of 12.5 basis points is the same on both tranches but will only be paid on the second tranche if notice to draw is actually given.

The EIB can also issue Euronotes under the facility but it is understood that the primary purpose is to back up commercial paper borrowing. Actual margins on the standby credit are not being disclosed, but they are understood to be finer than those on last year's deal, which started at 15 basis points and rose in stages to 25 points during three remaining years.

INTERNATIONAL COMPANIES and FINANCE

HK Wharf claims control of Allied

By Our Financial Staff

HONGKONG and Kowloon Wharf has claimed control of Allied Investors, an affiliate of Wheelock Marden, the trading company for which Hongkong Wharf successfully bid earlier this year.

Wardley, Hongkong Wharf's adviser, said acceptances had been received for 14.31 per cent of Allied's equity. Together with the stake in Allied acquired through the takeover of Whelock, this brings Wharf's holding to some 57 per cent.

Hongkong Wharf has also declared its intention to vote down a HK$5 per share special dividend which Allied has proposed for its annual meeting on June 24. The contested offer for Allied, which values the investment holding company et HK$322m (US$41.5m), expires on June 14.

Japanese drug group may set up plant in Europe

BY CARLA RAPOPORT IN TOKYO

AJINOMOTO, ONE of Japan's leading food processing and seasonings companies, is considering setting up an amino acids plant in Europe in order to boost its diversification into the pharmaceutical business.

According to Mr Tadeo Suzuki, an Ajinomoto executive vice-president, the group intends to boost its sales of amino acids and special chemicals to 20 per cent of sales, from 12 per cent currently, over the next several years. Amino acids are needed for e variety of pharmaceutical uses, including the manufacture of tube-feeding systems for seriously ill patients.

Ajinomoto, founded more than 75 years ago, was built on the sales of the group's first prodnct, monosodium glutamate, which is used as e flavour enhancer for a wide variety of foods. Over the past 15 years, however, the group has diversified away from its traditional areas of oils, fats and seasonings into processed foods, amino acids and pharmaceutical research. Sales of the group last year reached Y447.6bn ($1.8bn).

For example, the group has recently invested over $100m worldwide to more than double its production of lysine, an amino acid used as an additive for animal feeds. Following the completion of its Thai lysine plant next year, the group expects to become the world's largest lysine producer.

The company spent around Y9.6bn last year on research and development, a 7 per cent increase over the previous year. It said that government approval to market Lentinan, an anti-cancer agent, was expected this month. The new drug, derived from a species of mushroom, is an immuno-stimulator, which boosts the body's own defence mechanisms

Suntory suffers first decline in 40 years

By Yoko Shibata in Tokyo

SUNTORY, Japan's largest distiller with a 70 per cent share of the domestic whisky market, has reported a fall in sales and profits for the first time in 40 years.

Higher consumption of shoohu — inexpensive distilled spirits made from potatoes or corn—as well es e 20 per cent increase in the alcohol tax were blamed for the poor performance.

Until last November Suntory had been denied access to the shoohu market because of official fears that its powerful distribution network might have driven smaller distillers to extinction.

During the year to March, pre-tax profits fell 56 per cent to Y17.3bn ($69.6m) with net profits of Y8.3bn, down 42.3 per cent. Turnover at Y761.5bn was 10.6 per cent lower. Suntory is still privately owned, and a stock exchange listing has been eagerly awaited by Japanese securities brokers and banks.

For the current year, Suntory expects a recovery in turnover to the 1983 level of Y850bn, with e 33 per cent revival in whisky sales to Y583bn. Pre-tax profits are projected at Y29.3bn—still 26 per cent below the 1983 level—and net profits at Y10bn.

Tokyo boosts private health care

BY OUR TOKYO STAFF

JAPAN'S private health care industry has received an important boost from the Government with the decision to grant tax exemptions for health insurance premiums in selected areas.

The move was taken by the Ministry of Health and Welfare with the aim of promoting the private health care industry and reducing the increasing burden of health care costs on the Government. Japan maintains a comprehensive national health service, which this year is expected to cost Y15,720bn ($61.5bn).

The private health companies will be allowed to offer tax-deductible schemes in the three major areas:

● Coverage of part of the medical bill which is not paid by the Government. Currently, patients pay about 10 per cent of their medical bills out of pocket.

● Extra hospitalisation expenses

● Those areas currently not covered by the public health scheme such as pregnancy, cosmetic surgery and spectacles.

The Ministry of Health said the Ministry of Finance would be studying whether foreign companies could offer private health care in these fields, in addition to domestic operators. The incentive is expected to give a sharp boost to Japan's private health care market, which is currently relatively small.

Bank of America Futures opens Hong Kong offshoot

BY DAVID DODWELL IN HONG KONG

BANKAMERICA'S futures trading subsidiary, Bank of America Futures, yesterday opened an affiliate in Hong Kong, the first to be established in the territory by a U.S. bank.

However, the affiliate will have to trade through the Singapore International Monetary Exchange (Simex), because Hong Kong's long-delayed futures exchange is still stuck on the drawing board.

Mr John Ng, the assistant vice-president who will manage the Hong Kong affiliate, said it would take to the end of 1985 to have a clear idea of the volume of business likely to be generated in Hong Kong. The company will deal in contracts traded on Simex, the London International Financial Futures Exchange, and the Chicago Mercantile Exchange (CME). Strongest interest has so far been shown in interest rate futures, Mr Ng said.

The Hong Kong Futures Exchange was at one stage intended to open in autumn last year, following comprehensive reorganisation of the territory's moribund Commodities Exchange. It has ambitious plans to link up with the Philadelphia Stock Exchange—a link that would be as important to Hong Kong as Simex's link with the CME.

At present, however, it is nothing but a name, largely because of legal problems over amendments to a compensation fund scheme held by members of the original commodities exchange. An amendment Bill finalising reorganisation of the exchange is due to be put before Hong Kong's Legislative Council later this month, but its opening date remains uncertain.

In e recent visit to Hong Kong, Mr John Damgard, president of the U.S.-based Futures Industry Association, warned that the interest of U.S. investors in Hong Kong futures contracts could subside if there were further delays.

Bengal in petrochemicals complex joint venture

BY P. C. MAHANTI IN CALCUTTA

THE WEST BENGAL Industrial Development Corporation, the industriel promotion arm of the state government, has signed an agreement with a local industrialist for e Rs 6.45bn ($520m) joint venture which will set up a petrochemical complex neer Haldia port, south of Calcutta.

The Marxist state administration has taken the unusual route of associating itself with the business empire of Mr R. P. Goenka because of the key role it sees for the project in West Bengal's slowly emerging industrial regeneration.

The state authorities had to settle for the joint venture as the only way of funding the project after tha Central Government, which had promised its support, suddenly backed out. This was the disappointment of the state ministry, which accused the Central Government of discriminating against West Bengal while backing an identical project in Maharashtra.

Mr Jyoti Basu, chief minister of West Bengal, said the state government would have e 26 per cent stake in the venture, while the Goenka family would heve 25 per cent. The remainder is to be offered to the public in a share issue, which is planned to attract substantial funds from non-resident Indians.

The project—due to take five yeers to complete—has been scaled down somewhat: the total investment has been cut by nearly a quarter from the original Rs 8.33bn, while the product mix has been trimmed. The complex will be entirely naphtha-based, with a capacity of 100,000 tonnes of ethylene annually.

The plant will be managed by the Goenkas including Mr Sanjeev Goenka.

China deal for Del Monte

BY SAMUEL SENOREN IN MANILA

DEL MONTE, the U.S. food group, is due to conclude e food production and processing agreement in China next month with a Shanghai-based group after more than two years of agricultural research work in Eastern China.

Equity in the venture will be shared equally by Del Monte, which is owned by R. J. Reynolds, and the Shanghai Foodstuff Industry Association.

Del Monte will become the third major U.S. food company to gain a foothold in China. The other two are Beetrice Foods and Heinz, which both operate in tha Guangzhou (Canton) area.

Mr Brian Haycox, Del Monte's vice-president for Far East operations, said the project would entail an initial investment of about $1m for the U.S. company. The food processing plant, to be located on Zhong Ming Island in the Shanghai economic zone, is expected to be in operation in August next year.

Del Monte's venture in China is being supervised by a wholly-owned subsidiary in the Philippines. The company, the Philippine Packing Corporation, runs what is believed to be the largest pineapple processing and canning operations outside the U.S.

Mr Haycox said Del Monte's direct involvement in China started in 1982 when it signed a memorandum of understanding with Shanghai Foodstuff to set up a five-hectare agricultural research farm on Zhong Ming. The farm raised a number of crops.

JAPANESE RESULTS

KUBOTA
AGRICULTURAL MACHINERY

Year to	Apr '85 Y	Apr '84 Y
Revenues (bn)	589	575
Pre-tax profits (bn)	26.34	26.33
Net profits (bn)	14.24	13.01
Net per share	10.57	9.87
Dividend	7.5	7.5

PARENT COMPANY

MARUZEN OIL
OIL REFINING, MARKETING

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	1,597	1,659
Pre-tax profits (bn)	†9.23	2.82
Net profits (bn)	†5.52	71.19
Net per share	†13.49	173.89
Dividend	0	0

† Loss
PARENT COMPANY

MITSUBISHI METAL
COPPER SMELTING

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	481	412
Pre-tax profits (bn)	9.74	6.81
Net profits (bn)	3.41	2.61
Net per share	8.16	5.05
Dividend	5	4

PARENT COMPANY

INTL. COMPANIES & FINANCE

AM recovery continues with 50% leap to $7.4m

BY ANDREW BAXTER IN LONDON

AM INTERNATIONAL, the Chicago-based office products group which emerged from Chapter 11 of the U.S. Bankruptcy Code in October, has continued its recovery, boosting third-quarter operating profits by 50 per cent from $4.95m to $7.4m.

The sharp rise took operating profits for the nine months ended May 4 to $17.9m, against $12.4m. Final net profits, which are distorted by special items caused by the bankruptcy reorganisation process, were $11.9m, or 29 cents a share, against $60.9m, or $1.53, a year earlier.

Sales in the latest quarter edged ahead from $153.7m to $156.7m, taking the nine-month total to $453.8m ($436.6m).

AM, which filed for Chapter 11 in 1982 after a disastrous rush into new technology, has undergone a major cost-cutting exercise and refocused on long-established businesses including reprographic equipment for print shops, phototypesetting equipment and engineering design products.

Mr Merle Banta, chairman and chief executive, said: "Our success in both sustaining and increasing the profitability of our operations over the last 10 quarters can be attributed to the effectiveness of our company's worldwide cost reduction programmes coupled with new product introductions."

Mr Banta said U.S. operating income and revenues had risen 90 per cent respectively in the first nine months of the current year. Foreign revenues and income had not fared so well because of the adverse effects of the strong dollar.

In a recent interview, Mr Banta explained that the company's strategy now that it has emerged from Chapter 11 is to use its strengths on the marketing and sales side, along with its well-known brand names such as Bruning and Varityper, to become a worldwide sales/service/distribution organisation.

While the company would continue to manufacture products, it would be looking for joint venture to keep up the pace of product introductions in increasingly competitive markets. "In this day and age it is impossible to do everything yourself," Mr Banta said.

Mr Banta said the company hoped for operating profits representing 4-5 per cent of sales in the current year, up from 3 per cent last year, and was targeting 6 per cent for fiscal 1986.

Last week AM appointed Mr James L. Katz, formerly chief financial officer at Baxter Travenol Laboratories, to the newly created post of vice-president – finance and chief financial officer.

Italian chip maker plans layoffs

BY ALAN FRIEDMAN IN MILAN

SGS, Italy's leading microelectronics company, is laying off a total of 1,000 assembly workers overseas and is considering a temporary shutdown in Italy which could involve short-term layoffs for around 2,000 workers.

Sig Pasquale Pistorio, chairman of the state-owned company, said the crisis in the world market for microchips could lead to a series of "enforced holidays" for SGS workers at the company's main plants in Agrate near Milan and Catania in Sicily.

Sig Pistorio, who said SGS had so far managed to break even in what promised to be a difficult year, indicated that he would like to avoid permanent redundancies.

His strategy instead is first to ask the Italian workforce of 4,800 to use up their holiday time and then, if necessary, to add a few weeks of shutdown to the August holiday. SGS, he said, was currently operating at 60 per cent of its capacity, given the slump in world market demand.

SGS sales in the first quarter of this year rose by 12 per cent to $86m. After breaking even in 1983 the company last year made its first profit in a decade – $10m on sales of $235m.

This followed a radical four-year reorganisation of the company which until Sig Pistorio's arrival from Motorola in the U.S. had been a loss-making subsidiary of the IRI-Stet state holding group.

SGS employs a workforce of 4,800 in Italy and until last November had 5,000 assembly workers abroad.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 4.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅝ 90	196	102	102½	−0⅛	+1¼	10.27
Amex Credit 12⅝ 88	150	106¾	107¼	−0⅜	+0¾	10.02
Bank of Tokyo 13⅛ 91	100	112¼	112¾	0	+2¼	10.71
BP Capital 11⅛ 92	150	102⅝	103⅛	+0⅛	+1½	10.46
Caisse Nat Tele 13¼ 91	100	114⅜	114⅞	+0⅛	+2⅜	10.37
Canada 11½ 90	500	106¼	106¾	+0⅛	+1⅛	9.72
Canadian Pac 12½ 89	75	100⅛	100⅝	+1⅞	+3	11.14
CBS Inc 11¾ 92	100	103⅞	104⅜	−0½	+0⅜	10.59
Chevron U.S.A. 12¼ 89	600	105⅜	105⅞	−0¼	+1¼	10.58
Coca Cola 11¾ 91	100	107⅝	108⅛	−0¼	+1¼	9.99
Denmark Kingdom 11½ 90	100	103⅜	103⅞	+0⅛	+1⅜	10.51
Denmark Kingdom 11½ 92	100	104⅛	104⅝	0	+1¾	10.76
Denmark Kingdom 13¼ 91	100	110¼	110¾	−0¼	+1¼	10.93
Denmark 13⅞ 86 XW	100	105⅜	105⅞	+0¼	+0⅜	10.16
Denmark Kingdom 14 91	100	109¾	110¼	−0⅜	+0⅜	11.61
E.E.C. 11⅞ 90	100	103⅞	104⅜	+0⅝	+1⅝	9.94
E.I.B. 13 96	200	110⅝	111⅛	0	+1¼	11.20
Export Dev Corp 12 89	196	106⅝	107½	+0¼	+1⅞	8.66
Exxon Capital Corp 0 2004	1800	13½	14	+0½	+0⅞	10.74
Ford Motor Cred 11⅝ 95	196	101⅝	102⅛	+0⅞	+2¼	11.28
Gen Elec Credit 10¾ 00	200	100⅜	100⅞	−0⅜	−0⅝	10.16
IBM Credit 10⅝ 2000	300	101⅞	102⅜	+0⅝	+0⅞	10.96
IBM Credit Corp 11¾ 87	200	105¼	105¾	0	−0⅛	8.97
Indust Bk Japan 12⅞ 89	100	108¾	109¼	−0⅛	0	10.16
Int-Am Dev Bk 12¾ 91	150	108⅛	108⅝	+0⅛	+2	10.63
Japan Air Lines 13⅝ 94	180	117⅞	118⅜	+0⅛	+2¾	10.22
Kellogg Company 10⅞ 90	100	102⅞	103⅜	+0¼	+1	9.96
Kellogg Company 11¼ 92	100	103⅞	104⅜	−0¼	+0¾	10.33
L.T.C.B. 12⅞ 91	100	109¾	110¼	+0⅛	+2¼	10.61
Macy Cred Corp 11¾ 95	100	105⅝	[illegible]	−0⅛	+2	10.72
Mellon Bank 13 87	100	105¼	105¾	−0⅛	+0¼	10.06
Merrill Lynch 12¾ 89	100	106¼	106¾	−0⅛	+0½	10.75
Minnesota 11½ 87	100	104¾	105¼	+0⅝	+2	9.00
Mitsubishi Corp 13¼ 89	100	111⅝	112⅛	−0½	+1	9.99
Montagu 13¼ 91	100	107¼	107¾	0	+1½	11.47
Morgan Guaranty 12⅝ 89	150	106⅜	106⅞	−0⅜	+0⅝	10.36
Nippon Cred Bk 13⅞ 89	100	110¾	111¼	+0¼	+0¾	10.42
Nth America 12⅞ 91	100	105½	106	−0¼	−0⅜	11.51
Penney J.C. 12¾ 91	100	108⅝	109⅛	−0⅛	+2¼	10.71
Pru Realty secs 12½ 96	546	100	100½	0	+2⅝	10.52
Quebec Hydro 11½ 92	100	106¾	107¼	+0¼	+0⅛	10.19
Ralston Purina 11⅝ 95	150	105⅞	106⅜	+0⅛	+2⅜	10.71
Ralston Purina 12¾ 89	100	108¼	108¾	−0½	+1¼	10.20
Royal Bk Can 12¾ 92 XW	100	102½	103½	0	−1½	12.03
Saskatchewan 10 3/4 92	100	102	102½	+0½	+2⅜	10.25
Saskatchewan 11 7/8 89	100	106⅜	106⅞	−0⅛	+1¼	9.92
S.N.C.F. 12⅝ 92 XW	100	100	103½	−0¼	+0¼	11.67
Statoil 13½ 89	100	111½	111⅝	0	+0¼	9.99
S Wales Tsy 11¾ 96	150	105⅜	105⅞	+0¼	+1	10.22
Swed Exp Cred 12¾ 89XW	100	106⅜	106⅞	−0¼	+0⅜	10.70
Sweden Kingdom 10⅞ 00	200	102⅝	103⅛	−0⅛	+1⅝	10.10
Sweden Kingdom 11½ 89	200	104⅜	104⅞	−0⅛	+0½	10.14
Sweden Kingdom 11¾ 94	100	105⅞	106⅜	0	+2¼	10.67
Texaco Capital 12⅞ 87	300	105½	106	+0¼	+0⅞	9.33
Texaco Capital 13½ 95	200	110½	111	0	+0⅞	15.17
Toronto Dom Bk 12½ 88	100	† 104¼	105¼	+0½	−0¼	10.44
Victorian Rep 11⅝ 92	150	104¼	104¾	0	0	10.65
Walt Disney Pro 12½ 97	150	† 104⅞	105⅜	−0⅛	+0⅞	9.86
Weyerhaeuser 12¼ 97	150	104¾	105¼	+0⅛	+1	9.72
World Bank 12¼ 94	150	108⅝	109⅛	−0½	+1¼	10.89
World Bank 12⅞ 94	200	113⅜	113⅞	0	+2⅝	10.48

Average price change On day +0⅛ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	102¾	103¼	0	+0½	7.53
Austria Republic 7⅝ 94	200	102⅜	102⅞	+0½	+0⅜	7.29
Baxter Travenol 7¼ 94	200	101⅝	102⅛	+0½	+0⅜	[illegible]
Credit National 8⅛ 94	200	105¼	105¾	−0¼	+1½	7.24
[illegible]						

Average price change On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: [illegible]

Floating Rate Notes: [illegible]

Convertible bonds: [illegible]

Change at top after E.F. Hutton fraud case

By Terry Dodsworth in New York

E. F. HUTTON, the Wall Street securities firm, has responded to widespread controversy over the involvement of some of its staff in a complex bank cheque fraud scheme with a broad-ranging reorganisation of its senior management.

Justifying the changes, Mr Robert Fomon, chairman and chief executive, conceded that the recent problems of the company were partly due to the fact that "cash concentration and cootrol functions were not integrated. This reorganisation will remedy that weakness."

The most important aspect of the reorganisation is the appointment of 46-year-old Mr Robert Rittereiser, formerly chief administrative officer and chief financial officer of Merrill Lynch, the largest U.S. securities house, as president of the E. F. Hutton group.

At the top of the company, a new office of the chairman is being created, under the directioo of Mr Fomon, but allowing Mr Rittereiser a "broad role." The other two members of the office will be Mr Scott Pierce, president of the group's broking activities, and Mr Thomas Lynch, who preceded Mr Rittereiser as president of the parent company, where he will now become vice-chairman.

Both E. F. Hutton and the Justice Department have met with heavy criticism over the handling of the cheque fraud case, which involved using the "float" on cheques working their way through the banking system to draw down free funds from the banks. No one has been prosecuted, although Hutton pleaded guilty to 2,000 counts of fraud and has since hired a senior lawyer to find out who was responsible.

● Mr Stephen Hammerman was named executive vice-president and chief administrative officer of Merrill Lynch, succeeding Mr Robert Rittereiser.

Vatican takes stake in Nuovo Ambrosiano

By Our Milan Correspondent

ISTITUTO per le Opere di Religione (IOR), the Vatican bank, has become a shareholder in Nuovo Banco Ambrosiano, one year after agreeing to pay $241m "in recognition of moral involvement" to creditors of the late Sig Roberto Calvi's collapsed Banco Ambrosiano.

The Vatican bank was the direct and indirect owner of 10 of the overseas "dummy" companies to which Banco Ambrosiano lent $1.3bn.

The IOR's return as a shareholder in the Milan-based successor to the Calvi bank comes about because it has subscribed for shares available through warrants which were issued to 35,000 shareholders of the old Ambrosiano group at the time of the 1982 collapse.

The IOR's current share stake is thought to be less than 1 per cent.

Nuovo Ambrosiano is just completing "operation warrant" under which 35,000 former shareholders, who lost their shares when the Calvi bank failed, are subscribing for L 145bn ($74m) in shares. Each former shareholder was entitled to a warrant for three shares in Nuovo at L1,000 each. The only conditioo imposed was that the shareholders maintained a deposit account with the successor bank.

As a result, Nuovo Ambrosiano is now around three-quarters privately owned, with Banco Nazionale del Lavoro and Istituto San Paulo di Torino the only remaining state bank shareholders.

Danish strike hits Swedish packer's profits

By David Brown in Stockholm

PLM, the Swedish packaging group, has had a sudden decline in the latest four months' results, which it attributes to an industrial dispute in Denmark, severe winter weather and generally weaker container markets.

Full-year profits will probably drop below the SKr 210m ($23.9m) achieved in 1984, says Mr Ulf Laurin, the president.

Sales through April were stagnant at SKr 1.08bn. Operating results after depreciation plunged from SKr 78.7m to SKr 46.9m. Net financial costs were stable at SKr 19.4m. Pre-tax earnings halved from SKr 57.8m to SKr 29.9m.

Virtually every division reported lower earnings. The group's newly-inaugurated Berlin metal can factory – a joint venture with the Ball Corporation of the U.S. – was hit by unexpected start-up problems and will not turn in a profit until next year.

PLM Sweden, which was affected by the Danish strike, reported a fall in operating results from SKr 41.8m to SKr 36.7m. The Danish Haustrup operation, where profit dropped from SKr 19m to SKr 12.1m, expects to recoup lost shipments later in the year and report "satisfactory" profits for 1985.

Madrid bulls turn Spanish bourse into a strong performer

BY WILLIAM CHISLETT

MADRID'S stock exchango (tho bolsa) is beginning to rival the city's Plaza de Toros for bulls and for attracting the intorest of foreigners.

After a fine *corrida* last yoar, when the Madrid oxchange was tho best performer among tho world's bourses in local currency torms (40.7 per cent) and tho second best after Hong Kong in dollar terms, the bolsa is continuing its bull run. The index had risen by 9.23 per cent to close at 110.69 on June 4 (the index is rebased at 100 on the first trading day of each year).

Foreign investors ore playing an important rolo in tho surge. Net foreign investment, mainly from tho U.S., tho UK and West Germany, in the bolsa in tho first quartor of this year was Pta 10.2bn ($5.9m) compared with Pta 12.7bn for the wholo of 1984. Institutional investors include several U.S. pension funds and the London stock broker Savory Milln, whilo the individuals include a largo number of West Germans. American investors, in particular, are using the strong dollar to buy undervalued Spanish shares which are selling on average at just 44 per cent of thoir book value. Other investment attractions are a p/o of 9.6 and a yield of about 9 per eent.

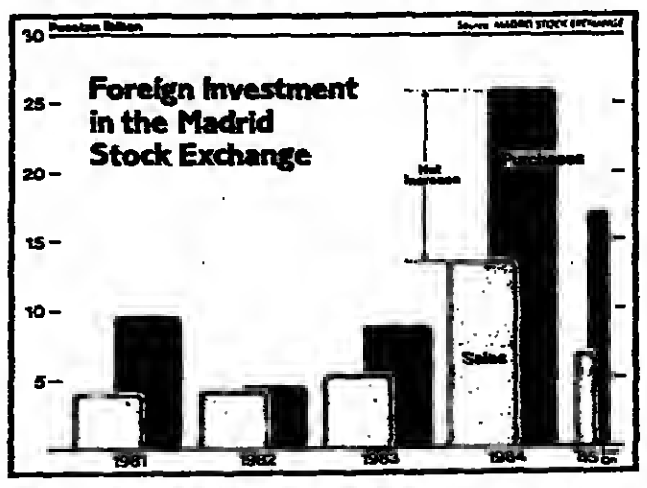
Part of the bolsa's attraction lies in its novelty. "Evorybody is oager to get involved in something which is not yet diseovered," says Mr Joe Hall, Enropean equity specialist for Savory Milln. Tho firm's investment in Spanish stocks has increased fivofold in the past 12 months. "Even fairly conservative pension funds are investing in Spain."

More than two-thirds of the new not foreign investment is in Telefonica, tho state tolecommunications concern, which is ono of tho stars of the bolsa. Telefonica's price rose to Pta 615 on May 22 from Pta 460 at tho beginning of the year. Tho stock is oxpected to be listed in London and Tokyo later this yoar and in Now York in 1986.

Another strong performer is El Aguila, the brewery company, whose price bad risen to Pta 212, in mid May from Pta 95 at the end of 1983. El Aguila has substantially redneed its dobt as a result of a capital injection from Heineken, which bought 40 per cent of the company earlier this year.

The foreign investment is significant, though it represents less than 10 per cent of all trading, because of the extraordinary growth of the narrowly based market after a decade of stagnation. The average volume of trading has risen to about Pta 2bn o day from Pta 700m in 1983. Trading hit record volumes of Pta 5bn when the market peaked at 117.41 on February 4. Profit-taking gathored momontum in tho electrical sector with tho publication of confusing regulations which wore interpreted as placing limits on dividends and led to a wave of selling.

Both Spanish and foreign investors have been impressed by the dramatic turnround



undor the Socialist government, although economie improvements bave been accompanied by tho highest rate of unemployment in Westorn Europe. Spain is enjoying an export boom, a surplus on its current account balance of payments, an inflation rate whieh bas been brought below 10 per cent and lower interest rates.

Companies are using higher profits, galned from moderate wage claims, advances in productivity and the Impact of tho high dollar on oxport prices, to shod labour and reduee their dobt rather than expand.

There is considerable excess liquidity. It is reckoned that two thirds of available Spanish investment goes into bank doposits and the rest into Treasury bills, stocks and real estate. Spanish Investors, traditionally wary about buying stocks have been spurred by foreign Investors to be more adventurous. The growth In Treasury bills, which offer a tax haven, has been phenomenal; they now account for half the bolsa's volume of trading.

However the Madrid market is thin and unsophisticated. There is no centralised placement systom, which means that there are delays of several weeks on settlemonts. Only 375 companies are listed on the exchange: the nnmber having fallen by 108 in the last four years through takeovers, mergers and collapses. Because of the bolsa's small size, new demand has an immediate and dramatic impact on sharo values. Telotonica, the seven listed Spanish banks and the utility stocks Iberduero, Hyd and Union Electrica Fenosa account for about 80 per cent of all share trading.

Sr Manuel do la Coneha, president of the Madrid exehange hopes to broaden the base, though his campaign to encourage more companies to be listed, and so develop the bolsa's minor financing role for industry, appears to be having litilo success.

There is talk in Madrid of launching a second tier market this summer, along tho lines of London's unlisted securities market, though response to the idea has been poor. There is already one such market in Barcelona, but only 14 companies are involved and tho volume of trading is insignificant.

The main unlisted compantes are awash with funds and Spanish banks have a controlling intorest in many of them which discourages management from seeking funds from alternative sources. There ore also tightly run family concerns. El Corte Ingles, the department-store chain, would be an obvious candidate for a bolsa listing, were it not that it is controlled by just three people who have no interest in opening up their books to shareholders.

Analysts believe that the only significant new listings will come from the breaking up of INI, the sprawling public sector conglomerate which is a heavy drain on the exebequer. The governmont is discussing the sale of Seat, INI's car company, to Volkswagen and hopes that General Motors will take a majority stake in Enasa, the truek manufacturer.

Apart from belng in a better position to meet their own financing needs, some Spanish companies fear that the information required for a public listing might attract the attention of the taxman. Tax scrutiny and listing requirements have both been tightened in preparation for Spain's entry into the EEC next year. "Faced with this situation we are trying to persuade companies to invest in the bolsa rather than the other way round," said Sr Alvoro Llanza at Banif, the investment arm of Banco Hispano Americano.

While American pension funds are putting money into the bolsa, their Spanish counterparts are excluded from investing in shares. This is expected to change later this year when legislation to permit pension fund investment comes beforo parliament. Unit trusts play only a small part in the bolsa at the moment.

Last month the Spanish parliament tightened controls on trading operations in the wake of the Buxeres affair, which exposed the vulnerability of investors to under-capitalised brokers. Changes in antiquated legislation, much of which dates back to 1886, include increasing the size of the bond deposit required of Spanish share doalors.

Sr Alejo Buxeres, a dealer in the tiny Barcelona stock market, has been charged with illegal fund appropriation involving more than Pta 3bn from the Caja de Ahorros Layotana, a savings bank. He was givon bail last week pending trial.

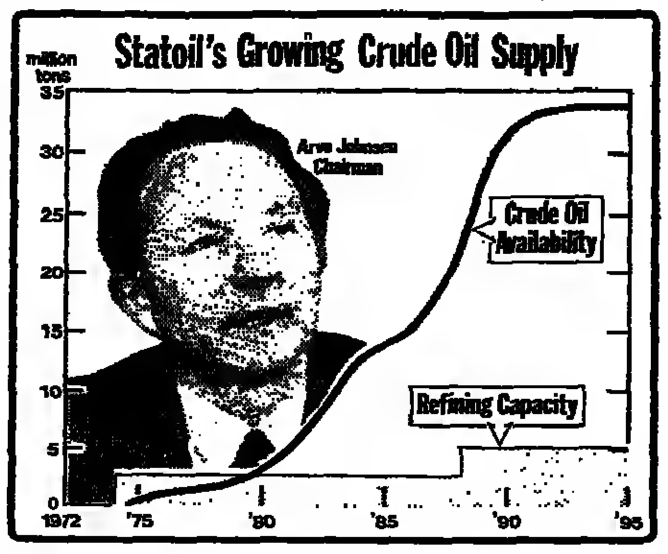
Sr Buxeres is understood to have been involved in repurchase operations. He was unable to honour payments to clients after a deep plunge in prices. The Madrid stock markot board said of the affair: "The strangest thing is that these high-risk operations were undetected although Buxeres had 60 per cent of the share dealing in the Barcelona market."

Will the bubble burst on the Madrid exchange? Analysts are optimistie about short-term prospects, but expect a slowdown when VAT is introduced next year and pushes up inflation. Meanwhile it is olé.

RESOURCES REVIEW

Statoil: enter the Viking invaders

By Dominic Lawson, recently in Norway



WHILE THE oil industry's Seven Sisters have become introspective and even cannibalistic in their reaction to a declining empire, a young and optimistic force is preparing, Viking style, to invade their territory.

That force is Statoil, the Norwegian state oil company, which last year on the back of an increase in income of 35 per cent to NKr 35.6bn, became for the first time Norway's largest industrial company.

Before the Norwegian parliament, the Storting, last year took steps to curb Statoil's powers, the company was set to become larger than all other Norwegian industrial and mineral companies combined by the end of the century.

But even after the hruising encounter with Norway's Centre-Right coalition government, Statoil is still planning an international dash for growth and vertical integration, in an effort to reinvest its prodigious stream of oil and gas revenues from the Norwegian Continental Shelf.

Until last year, Statoil was by law tied to Norway, from exploration to retailing. But, partly in an attempt to deflect the company's increasing grip

Bruising encounter with Oslo's coalition government

on the Norwegian industrial and political scene, the Government opened the door of Statoil's Nordic cage.

Within months Statoil had acquired exploration interests in Holland, and a 10 per cent stake in a Chinese offshore licence. In partnership with British Petroleum it applied unsuccessfully for acreage in the UK's ninth offshore licensing round.

Then two months ago Statoil made its first big foreign acquisition, a NKr 2.5bn (£222m) takeover of Exxon's Swedish oil retailing and petrochemicals operations. Hitherto Statoil's marketing was confined to a 27 per cent share in the Norwegian oil products market.

The move was the logical strategic follow-up to the expansion of Statoil's Mongstad refinery on Norway's west coast from its present 4m tonnes to 6.5m tonnes a year in 1989. Exxon had 12.5 per cent of the Swedish petrol market and 9 per cent of the total Swedish market for petroleum products, and the proximity of Mongstad will give Statoil a transport cost advantage over other imports into the lucrative Swedish market.

"The Exxon deal is only the first in a series of similar moves we intend to make over the next decade "says Mr Henrik Ager-Hanssen, senior vice-president of Statoil. Even after the Swedish coup, Statoil has refining and marketing cover for only 5 per cent of its growing crude oil availability." Over the next 10 years we should get networks to cover at least half of our crude stream," says Mr Ager-Hanssen.

While Sweden seems promising, Statoil's ambitions appear to be leading it into markets which are bleeding the older majors, such as Germany, where there is ferocious competition from independents. "Why not Germany?" says Mr Ager-Hanssen, who admits to thinking about taking on Mobil's recently mothballed Wilhelmsaven refinery.

"Why not Germany?" In the finance Ministry in Oslo, some miles to the north-east of Statoil's Stavanger headquarters, Mr Hans Henrik Ram, special adviser to the Finaoce Minister, rolls his eyes. "Statoil's earnings are in my view excessive, and are not in proportion to their efforts. This affects their consciousness of costs. Statoil's head says 'Go out and buy me Shell Germany,' or 'Get me Esso Sweden,' rather than negotiate on a commercial hasis."

Mr Ram, known in Norway as the Conservative party's Mr Fixit, was instrumental in forcing through some of the new restraints on Statoil. "Cash flow is power, and we were very concerned with the growth in Statoil's cash flow," he says.

The main change was that Statoil would no longer have its automatic half share in any licence, but would have to divide that share with the state itself. In most licences already awarded, the state will now take 30 per cent, and Statoil 20 per cent. In a number of discovered fields Statoil's role has been restricted even more. On tha large Gullfaks oilfield, and the eastern part of the giant Troll gas field, Statoil's former 95 per cent stake has beeo whittled down to 12 per cent.

But the Conservatives had to conceda a vital point to the opposition, in allowing Statoil to keep its 42 per cent stake in the North Sea's largest oil accumulation, the 3bn barrel Statfjord field. And at the eod of last year Statoil mobilised its political supporters in Norway's Centre Right coalition to push through its plans to take over the oparatorship of Statfjord from Mobil by early 1989. That will give Statoil not just 1,500 new employees, but also its first experience of managing a producing oilfield. By the time Statoil becomes operator the field will be prodncing about 720,000 b/d, equivalent to 80 per cent of Kuwait's production, and compared with the field's present output of 490,000 b/d.

> While Sweden seems promising, Statoil's ambitions appear to be leading it into markets which are bleeding the older majors

Statoil's desire to find controlled and secured outlets for this and other crude is natural enough, particularly after the traumas of last October, when in order to keep its oil company customers Statoil was forced to cut its crude oil price, precipitaing cuts by the UK, and later by Opec.

Tbe official price cuts were inevitable, but for Norway and Statoil, which have always determined not to be price setters, that was a deaply upsetting experience. "Wa had not thought seriously enough before about the problems of disposing of larga quantities of oil. We automatically became price leaders and we were caught with our pants down," says Mr Ager-Hanssen. Statoil will undoubtedly push its crude through its future downstream empire at spot prices, hnt that process will be not only secure, but opaque, thus enabling Norway and Statoil to withdraw from the unwelcome glare of the Organisation of Petroleum Exporting Countries.

Mr Ager-Hanssen describes with relish how the major oil companies with refineries to sell have come knocking at his door. He should not be surprised, since European refining is one of the biggest loss-makers of the international oil industry. Despite the closure of abont a quarter of European refining capacity since the late 1970s, the rate of overcapacity has hardly changed.

Statoil can with reason point to the sense of its Swedish acquisition. It is the nearest market to Norway, it has the highest ratio of car use per head of population, tha competition from independents is minimal, and as a result the downstream gross margins of the industry are the bighest in Europe. But no doubt Exxon was pleased to sell the business for a price 35 times greater than its last year's earnings.

Similar arguments might apply to any Danish downstream acquisitioo that Statoil may make, but after that any furthar downstream move in Europe could lead Statoil into the predicament of the old majors, using security of supply as an excuse for subsidising refining losses with crude oil production profits.

Mr Ager-Hanssen disagrees: "Tbe majors developed their markets when they controlled their crude prodnction, so what is clever for them to sell is clever of us to buy." It is tempting to compare Statoil's plan with that carried out by the other bright young "sister" of the oil industry, tbe Kuwait Petroleum Corporation. But the Kuwaitis bought only Gulf refineries in Europe, wbich had been built from the start to take Kuwaiti crude. And Kuwait's crude oil is a great deal further from the markets it wanted to penetrate.

Mr Ager-Hanssen insists that in its downstream diversification Statoil will demand a real rate of return of 7 per cent, while Mr Ram, the scourge of Statoil, concedes: "In principle I am in favour of Statoil's move downstream, as long as they don't pay too mnch."

But there seems less logic in Statoil's intentions to expand into exploration and productioo internationally and, in particular, the direction of that expansion.

Starting with offshore China is an indication of the plan. "We are not interested in building the company in the old-fashioned way, starting onshore and then graduating offshore. We were up to our throats in water from birth," sdeclares Mr Ager-Hanssen. He names offshore U.S. and Canada as key areas for future operatorships, with the idea of utilising Statoil's acknowledged expertise as a deep water pioneer.

That sounds like a recipe for maximising the costs of production, at a time wben oil prices look set to fall again. Mr Ager-Hanssen concedes: "At $20 a barrel, none of the recent Norwegian discoveries would be viable."

Statoil's development contrasts with that of Britoil, a company with a similar political dowry of exclusively North Sea oil. Britoil has avoided the offshore China scene, concentrating on acquiring low cost oil exploration and production assets onshore in the U.S.

Statoil's method of financing is also aggressive. According to Mr Ager-Hanssen, overseas acquisitions will be financed 25 per cent by equity production and 75 per cent by debt.

But Statoil's No 2 insists: "We are here to make money. Our board is empowered only to act io a business like fasbion, to maximise returns. If we start acting like politicians, we are in trouble. If the owner thinks we are expanding too quickly, then the oil minister must bave an owners' meeting with us. But he can't just whisper in the chairman's ear and influence our decisions that way."

Since it is common know-

Oil Minister and Statoil chairman are at odds

ledge in Norway that Mr Kaare Kristiansen, the Oil Minister, and Mr Arve Johnseo, Statoil's chairman, are barely on speaking terms, such a formal relationship is probahly inevitable.

The paradox is that those in Norway's Government who are most worried about the risks in Statoil's expansion are least likely to want to interfere with it. This is only partly for the tactical reason of deflecting Statoil's grip on the bome economy.

Mr Ram points out: "Technically we in the Government can veto any major international move by Statoil, but we don't consider that a satisfactory way of carrying on. Statoil should not be scrutinised all the time by the Government if it is meant to behave commercially. This is the dilemma of having a nationalised company. We have the control, but we don't want to use it."

Residential Property

Rentals

Public Notices

Overseas

Art Galleries

Clubs

Exhibitions

Motor Cars

Motors Wanted

Company Notices

Holidays and Travel

City unimpressed by Hanson's 65% rise

AN INCREASE of 65 per cent in interim taxable profits, announced yesterday, was something of a slow-down from Hanson Trust's recent performances, and clearly fell below market expectations. The shares closed 7p down et 230p.

In the last full year Hanson achieved percentage growth rates in the high 80s at both the interim and final stages. The results for the period to March 31 1985, showed pre-tax profits up from £64.4m to £106.1m. The City had been expecting something around £115m.

Nevertheless, the chairman, Lord Hanson, said that the outcome confirmed the board's confidence that the current year will witness further excellent progress, and adds that the commitment to investment on both sides of the Atlantic will ensure that this growth will continue.

In the period under review, and for the first time, the contribution from the group's U.S. activities supplied more than half of aggregate operating profits *of £142.4m (£79.3m).* Some £73.7m came from America, against £31.7m, while the UK made £68.7m (£47.6m).

The results include a first full six months from London Brick, acquired last year and which has now been integrated into the Hanson Brick division; and from U.S. Industries, another 1984 purchase. The *latter added a total £17.1m (nil),* with the bulk coming from the lighting division with £9.7m.

Lord Hanson says that it has always been the group's first priority that shareholders should participate tangibly in growth in earnings per share—they moved *ahead from 4.6p to 6.4p undiluted* and' from 3.9p to 6p : diluted —and there is therefore e 29 per cent increase in the interim dividend. This is raised from an equivalent 1.17p to 1.5p.

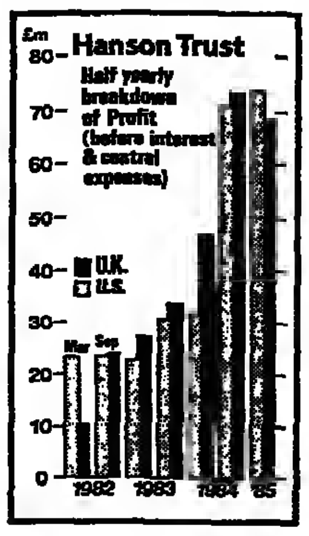
Group turnover topped the *£1bn mark for the first time at* the interim stage to stand at £1.48bn against £900.4m, with the U.S. supplying the larger part at £935.4m against £437.9m. The taxable figure was struck after net interest and central ex*penses, less property* and other income, amounting to £36.3m (£14.9m), and was subject to tax at £29.5m against £19.4m.

Commenting on the U.S. performance, Sir Gordon White, chairman of Hanson Industries, said that each of the seven U.S. divisions made a significant contribution to profit and return on capital with improved results *from the restructured USI com*panies.

USI Lighting achieved a record six-month profit, and there were record earnings at Hanson Building products, with operating profits nearly trebled *at £17.6m (£6.7m).*

Despite increased textile imports into the U.S., Carlsbrook remained competitive and gave a *good performance. Profits* advanced from £6.6m to £9.4m.

Lord Hanson, the chairman



Sir Gordon said that Hygrade, processed meats, and Interstate, food management and vending, improved further on last year's very good results. They added £1.4m more at £5.8m.

The office furniture companies *have had the best six months* in their history, but he said that Consumer Products, with profit of £14.7m (£14m), reports a first half slowdown at Endicott Johnson, shoe manufacture and retailing.

USI Industrial benefited from cost-cutting and sold two marginal producers, Poly Tech and Jernberg, for $37m. The division made a *first time contri*bution *of £7.4m on turnover of* £102.8m.

In the UK, profits at London Brick were on target, and ahead of the previous year. Butterley also reported increased profit. The brick and landfill companies anticipate good results for the year. For the half year they made £17.1m (£6.5m).

British Ever Ready maintained the sound progress achieved over the last three years, *lifting operating profits* by £4.4m to £18.5m. Productivity and return on capital continue to improve.

Thanks to another record Christmas and New Year Allders Department Stores, with profits up from £11.9m to £18.1m, beat budgeted profit and last year's figures. The strength of tourist traffic at Heathrow in the winter shows every sign of continuing into the summer et *Allders International's duty-free* shops.

Lindustries was again ahead of budget, yielding further improvements in profit—ahead by £2m at £12.1m—and its already "excellent return on capital employed" with good performances from Robinson Willey, gas fires, Delanair, car healers, and Crabtree and Mahourn, electrical accessories.

In Engineering, where profits slipped to £4.9m (£5m), demand in the machine tool sector is strengthening and Rollalong, site accommodation, had another record result. Northern Amalgamated Industries had excellent results with e good performance from Dufaylite's fire protection products. Engineering turnover fell from £68.5m to £65.2m.

After the higher dividend, which will account for £17.9m against £11.4m, the group will retain profits of £58.5m (£33.4m).

See Lex

Brammer censured by Takeover Panel

By Alexander Nicoll

THE TAKEOVER Panel, in a rare public intervention in a running bid battle, yesterday delivered a stiff rebuke to Brammer, the bearings distribution group, and its merchant banking advisers Kleinwort Benson.

The Panel's action followed several daye of increasingly acrimonious sniping between Bunzl, which is making a hostile £117m bid for Brammer, and its target. The taunts and ripostes have mainly concerned Brammer's own £44m agreed bid for Energy Services and Electronics.

Bunzl, the paper group, has claimed that the purchase of ESE *is ill-conceived, expensive*, and a defensive move to thwart Bunzl's bid, which is *explicitly conditional on the* ESE purchase being dropped. Bunzl also said Brammer was *rushing its shareholders,* who will meet June 14 to consider the ESE move, into the acquisition.

Brammer yesterday accused Bunzl of making "selectively misleading and illogical statements . . . . We take this deliberate attempt by Bunzl to mislead our shareholders *very seriously and accordingly* have complained to the Takeover Panel."

***The statement,* issued by Kleinwort on Brammer's behalf, continued: "The Takeover Panal supports our view that such statements are misleading and should not be repeated."**

The Panel, which strongly prefers to keep confidential its contacts with bid participants and usually makes fairly restrained public statements, wasted little time in disassociating itself firmly from Brammer's remarks.

Brammer's reference to the Panel, *it said,* "has not been approved by the Panel. Further, the statement regarding the Panel's support for the complaint does not reflect any decision by the Panel."

Bunzl is expected to produce its formal offer document for Brammer today. Meanwhile, Brammer will in*tensify lobbying of its* share- ESE bid at its annual meeting. (The bid for ESE has still to be accepted by ESE shareholders.)

On Bunzl's charge that the ESE *was a defensive* move, Brammer said yesterday that it "has been planned as part of eur strategic development for many months." ESE, an electronic equipment rental and sales group, was until recently the subject of a hostile bid from Shell company Peek Holdings. Peek only just failed to win with acceptances totalling 49.7 per cent of ESE's equity.

McCorquodale reaps investment benefits as profits rise 35%

THE BENEFITS of heavy capital expenditure programmes in the past few years are now paying off for McCorquodale, specialist printer and manufac*turer of printing machinery,* says Mr Alistair McCorquodale, the chairman.

In the half-year to end-March 1985 pre-tax profits rose by 35 per cent, from £3.78m to £5.11m, with record levels of activity in *many sectors, he* adds, and the recent restructuring has strengthened the group's ability to grow profitably.

The interim dividend is raised from 2p to 2.3p net. Last year a total of 5.4p was paid on profits *of £8.1m. Stated earnings are* higher at 6.08p, against 6.56p adjusted for the bonus element in the February rights issue.

Total sales amounted to £75.72m (£57.37m), with McCorquodale and its subsidiaries *accounting for* £68.6m (£52.57m) of this, and the associated companies adding £7.13m (£4.8m). Comparative figures are restated.

McCorqnodale and subsidiaries had an operating profit of £4.52m (£3.31m), from which interest payabla less investment income took a higher £3.07m (£2.5m). This increase was due to the additional cost of financing the oew *acquisitions and* related capital expenditure. The second of the recent rights issues, which generated £14.8m, only henefited the group during the last five weeks of the period under review.

During the past 12 months the group has made a number of strategically important acquisitions, the chairman says, which *have added considerably to* the group's existing long established businesses.

The recent establishment of four operating sub-groups has created a structure capable of absorbing rapid expansion. Tha group is growing fast and profitably. Mr McCorquodale adds, and continues to face the future with confidence.

The books and pnblications companies generally bad a busy and profitable balf year, and although the packaging and colour card companies hava benefited from higher levels of economic activity, there are signs of a *weakening of demand in* aome markets.

Tha UK cheque printing business bas come through a period of extreme competition with reasonabla success, but development of the group's new genera*tion of cheque printing* equipment is running six months behind schedule.

The North American investments have had a particularly good half year, with the new *publishing interests,* especially the new acquisition R. S. Means, making a sizeable contribution to group profits, the chairman says.

In addition tha associates again did well, with a strong performance in particular from the business forms company in Brazil.

Tax amounted to £1.57m (£1.48m). Minorities took £3,000 (£11,000). There were extraordinary *items last* time of £892,000, and preference dividends are unchanged at £2,000, to leave attributable profits at £3.54m (£1.39m).

● comment

McCorquodale has managed to put behind it the odd grumble heard in the City after its January rights issue, which came just 12 months after the previous call on shareholders' cash. The shares yesterday rose 21p on these results before *falling* back to close 10p up at 170p. The market was broadly satisfied with *the 35 per cent increase in pre*tax profits, made up of internal growth and half from acquisitions. However, there were sharp differences between the three main divisions — a strong advance at books and magazines was offset by a flattish performance in packaging, where demand has weakened slightly, and a small profit fall in security printing, where McCorquodale faces intense competition from rivals including Norton Opax. Meanwhile, the development of new generation security printing equipment is about six months behind schedule, though there are hopes now of making up lost time. Nevertheless, the group seems to be pulling through a period of heavy investment quite strongly, with earnings per share up 23 per cent. For the year £11m-plus pre-tax is in prospect, which puts the shares on a multiple of about 10½ (31 per cent tax charge), broadly in line with the sector.

Strong assets growth at New Throgmorton

AFTER-TAX revenue of the New Throgmorton Trust (1983) improved by £172,000 to £1.1m in the year to March 31 1985 and e final dividend of 1.7p per 25p income share lifts the net total from 2.25p to 2.7p, an increase of 20 per cent.

At year-end net asset value applicable to each capital share amounted to 106.1p, a rise of 24.4p on the year and an improvement of 44.94p since the company's capital reorganisation almost two years ago. At April 30 last net asset value was 106.3p.

Gross revenue for the past year pushed ahead from £1.82m to £2.12m. Expenses and interest accounted for £580,000 (£488,000).

New Throgmorton is an investment trust with a split *capital structure specifically* designed to take advantage of recovery situations, giving both income and capital growth.

Lord Ezra, the chairman, says that even though the full implementation of the trust's investment policy has not yet been fully achieved ba believes the "very satisfactory" results have begun to demonstrate to all classes of shareholder the advantages of the policy.

The chairman says company earnings and dividends look set to *rise "relatively strongly"* in the coming years.

He points out that the older industries which are able to adapt to tha new environment give excellent opportunities for recovery and it is the aim of the trust managers to identify such opportunities for investment by the trust.

Tax for 1984-85 rose from £402,000 to £446,000 to leave earnings per share at 2.8p, compared with a previous 2.36p.

Dividend payments will absorb £1.06m (£880,000).

Leisure Development

Leisure Development has acquired the **Medina Rajneesh Body Centre** in Hampstead, in a £420,000 deal. The club will be renamed "Ragdale Health Club."

Total investment by LDL over the next four years is expected to be between £15m and £20m. The aim is to become the first fully-listed health-related leisure company.

Saxon Oil

Saxon Oil, whose agreed bid for **Petrolex** has been topped by a higher agreed bid from Aran Energy, is nevertheless keeping its offer open. It has been extended until June 21.

Chapman Inds. benefits from acquisitions

Investing in new businesses has paid off for **Chapman Industries** where profits before tax surged from £823,000 to £1.02m in the 12 months ended March 30 1985.

Turnover of the London-based group, which is engaged in the manufacture of envelopes, improved by £5.42m to £21.3m, an increase of 34 per cent.

Shareholders benefit from the improved results via an increased *final* dividend of 6.1p which raises their net total from 8p to 8.4p per 50p share.

Operating profits improved by 44 per cent to £1.34m, aided by better results from the paper and packaging interests, a full year's contribution from West Midlands Envelopes and the acquisitions of Doncaster Packaging and Inveresk Stationery.

Interest charges rose from £105,000 to £319,000

Tax took £345,000 (£199,000) to leave net profits at £673,000 against a previous £624,000.

Extraordinary debits were reduced from £416,000 to *£102,000. These were incurred* on the withdrawal of envelope manufacture at the Croydon factory. Exceptional costs relating to this move and the setting up of new activities at the factory redneced the level of operating profits.

Morgan Comm. heartened by trend for freesheets

Morgan Communications, the fast growing USM company that produces and delivers the Guardian group of free newspapers, has increased taxabla profits by 62 per cent in the 1984-85 year. The results for *the period to March 31 showed* profits up from £509,000 to £825,000 on turnover ahead by £2.4m at £6.9m.

Mr Paul Morgan, the chairman, says that competition remains keen, but he feels that the underlying trend for free newspapers remains encouraging. Last year the revenua from free weekly *newspapers overtook that of paid*-for weeklies.

The group's expansion programme for the present year is already under way, adds Mr Morgan, with tha launch this month of a major title, the *Southampton Guardian.* He says that the new paper, with a weekly distribution of 121,000 copies, is the company's first move to win market share from daily provincial newspapers.

Until the Sonthampton launch the group's activities had been confined to the South West and West London areas, and in the Worthing, Sussex, area. In the year under review two new papers were started—one in London and one in Sussex.

Sonthampton is the eighth title launched or acquired in the past two years, compared with five titles in the first six years of tha company's history. All new titles have been financed ont of retained earnings and Mr Morgan says they will be making *a steadily rising contribution* to profits.

The gronp, which came to the unlisted market in February last year, is to recommend a final dividend which it considers in line with the results. A payment of 1.5p net per share *is* proposed, for a total of 2.5p. Last year there was a singla final payment of *0.3p.*

The tax charge for the year cama to £300,000, up from £192,000 last time, when there was also an extraordinary debit of £81,000. Net profit this time came out at £525,000, against £236,000. *Earnings per share* are stated at 7.31p (4.51p), and cover the dividend a little more than 2.9 times.

The group retained £381,000 (£232,000) of profits, and shows net assets standing at £925,000, up from £544,000.

Nolton

Nolton's subsidiary, Nolton Development Capital has agreed *to acquire 10 per cent* of the **McNally Design Group**, a newly formed company which will engage in product design and engineering in a wide range of industrial and commercial applications.

The consideration of £156,000 will be satisfied by a vendor placing to institutional clients of *Margetts & Addenhrooke of* 313,938 ordinary shares in Nolton at 50p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Chapman Inds.	6.1†	July 18	5.8	8.4	8
Atking Bros.	4†	July 26	3.65	5.35	5
De La Rue	21.75	July 27	18.4	30	25
Gleves Group	2	July 11	1.77*	3	2.5*
Hanson Trust	1.5	July 26	1.17*	—	3.33*
Holden Wydroman	2.275‡	—	—	3.25	—
McCorqnodale ....int.	2.3†	July 25	2	—	5.4
Morgan Comm.	1.5	—	0.3	2.5	0.3
New Throgmorton	1.7	July 19	1.25	2.7	2.25
Nercros	6	—	5.2	8.6	7.5
Plysu	2.31	—	1.9	3.25	2.7
Time Products	1.25	Aug 30	1	1.5	1
UKO Intnl	3.5	Aug 14	3	5	3

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

De La Rue lifts profits by 24%

STRONG performances from its currency division and Crosfield Electronics subsidiary, contributed to record results for De La Rue Company, the security and electronic equipment group.

The company also announced yesterday the sale of its Security Express subsidiary to Mayne Nickles, an Australian security company for £16m.

Taxable profit for the year to the end of March was £46.43m, a rise of more than 24 per cent on the previous year's £37.36m. That was achieved on turnover which was up by almost 24 per cent to £337m.

The chairman, Sir Arthur Norman, says that the currency division had an exceptionally good year with some clients requiring unusual and unpredictable volumes of banknotes within a short period. That stretched resources at times but the benefits of working at full capacity were realised.

Demand for travellers' cheques had picked up and the group's share of the world market had increased.

Prospects for this year are good, although Sir Arthur says that margins are under renewed pressure.

Crosfield Electronics, which won its seventh Queen's Award during the year, its fourth for technical innovation, produced an excellent result. Profits, before tax and interest, rose from £5.5m to £9.3m.

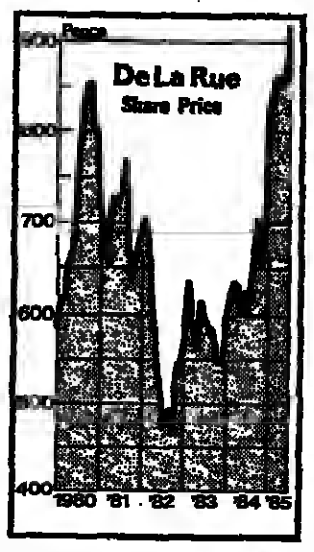
The buoyancy of the U.S. economy, which takes about 40 per cent of the division's output, was a major factor in the improvement. Sales to the Far East, in particular Japan, however, have also shown considerable growth.

The chairman says that CEL faces the future with confidence and a healthy order book. Results for the next 12 months, however, depend to a large extent on the performance of the U.S. economy.

Trading profit before interest was up by a little more than 50 per cent to £42.48m. Net interest payable, however, was much higher at £4.01m (£0.46m), as a result of the record level of capital spending throughout the group and the need for increased working capital, which, Sir Arthur says, is demanded by the fiercely competitive conditions in overseas markets.

With the share of profits of related companies down at £7.96m (£9.7m), taxation at £14.6m (£12.14m), minority interests taking £1.79m (£1.95m) and extraordinary losses relating to the cost of stopping production at an overseas operation and the provision for loss on the disposal of unoccupied properties of £5.11m (£5.35m), profit for the year comes out at £24.93m (£17.92m).

That leaves earnings per share at 78.9p, an increase of a little more than 29 per cent on the figure of 61.1p for 1983-84.



A final dividend payment of 21.75p is proposed, making a total for the year of 30p, compared with the previous year's total of 25p.

In June 1984 De La Rue bought Sygnetron Protection Systems in the U.S. It is involved in the creation and implementation of systems to protect sensitive installations, such as nuclear power plants.

Nine months profits were included in the figures and were up to expectations. The company says that it intends to develop opportunities for the new acquisition outside the U.S.

De La Rue has benefited throughout the year from the strength of the U.S. dollar. Exports, at £178.3m, represented 53 per cent of turnover, an increase of more than 25 per cent.

Sales by overseas companies accounted for a further 28 per cent of turnover, at £88.41m, with UK sales, at £70.29m, making up the remainder.

● comment

The City was taken aback by this 24.3 per cent jump in pre-tax profits of De La Rue, which put the shares up 47p to 925p. The strong performance of Crosfield Electronics, which was making heavy losses only two years ago, might have been expected, given the extent of demand in the U.S., accounting for about 40 per cent of sales. But the improvement in the security side, where profits slipped last year, was much bigger than anticipated, with De La Rue gaining market share in rather static markets and cutting costs to help raise trading margins from under 12 to nearly 15 per cent. The group is also keeping a careful eye on its third world debtors, despite the overall increase in monies outstanding from £104.5m to £135m. The market was also fairly pleased with the sale of Security Express, where profits had been running sluggishly at somewhat under £1m for several years. The disposal allows De La Rue to concentrate more resources on the high investment, high-growth electronic businesses. For the current year £53m pre-tax should be within reach, putting the shares on an undemanding multiple of 10 assuming a 31 per cent tax charge.

Continued recovery for Time Products

DESPITE A fall in profits from it Remex subsidiary in Hong Kong, Time Products has continued to progress during the year to end-January 1985, with £3.1m achieved at the pre-tax level. In the previous year the group had climbed back to profits of £2.7m, following losses of £3.88m. At the half way stage this time profits had more than doubled from £31,000 to £75,000.

Mr Richard Langdon, in his first report as chairman, says that following the restored interim, an increased final dividend of 1.25p (1p) will be recommended, lifting the total to 1.5p. Stated net earnings per 10p share are shown as 5.07p (4.99p).

The group, a watch and clock distributor, manufacturer and retail jeweller, increased turnover from £50.69m to £52.28m, with UK sales reaching £32.67m (£30.54m).

Turnover of the Remex Group fell slightly to £19.61m (£20.15m), but the substantially lower pre-tax result of £384,000 (£1.25m) was after higher finance costs of £2.1m against £1.84m. In the UK, finance income rose from £32,000 to £203,000, to leave pre-tax profits higher at £2.23m (£1.45m).

The chairman says that reorganisation of the business in Hong Kong is now nearly complete, although the high cost of borrowing is still a burden. During the year borrowings were converted from short-term debt to three-year loans. The costs of the refinancing have been charged against this year's profits.

Hong Kong borrowings were reduced from HK$135 to HK$117m, but, due to exchange fluctuations, the chairman says that this has not been reflected in the balance sheet. He expects a further reduction in borrowings during the present year.

Towards the end of the financial year the group acquired the House of Lipkin Group, a UK manufacturers and supplier of rings, jewellery and synthetic and cultured pearls, and it is expected to make a significant contribution.

Tax took £583,000 (£213,000), and minorities nil (£9,000). After extraordinary items totalled a higher £249,000 (£37,000), the amount attributable to shareholders was reduced to £2.27m (£2.44m).

● comment

Time Products has clocked in slightly below some of the more optimistic market forecasts and as a result yesterday saw a 2½p drop in the share price to 43½p. Nevertheless the company has come a long way from the 15p level struck in mid-1983. Then the feared question was "would the Hong Kong unit, Remex, drag the whole company down completely." Now Remex is making a modest contribution, is repaying its debts and could be ready for sale within two years —it is essentially not the kind of business the new look Time wants. Increasingly fashion and quality oriented the group has just acquired Lipkin, a £7m turnover jewellery company, from Woolworth for an undisclosed sum. With the UK side increasing margins as a result of the shift upmarket, the object must be to contain trading losses at Lipkin while integration is achieved. With its declared aim of "selling watches that work to people who pay," the company seems to have convinced the market that it is no longer an intensive care patient and is responding well to treatment. For this year £3.75m pre-tax is forecast by brokers, which has the shares trading on a prospective multiple of just over 7 (20 per cent tax charge).

Hydroman suffers 40% profit fall

DESPITE AN increase in turnover of almost 8 per cent in the year to the end of March 1985, pre-tax profits for Holden Hydroman, the Herefordshire-based specialist engineer, fell by almost 40 per cent.

The problems encountered in the first half grew worse in the second when turnover fell from £2.05m to £1.88m and pre-tax profits tumbled from £312,000 to £147,000. The outcome for the year saw profits fall to £304,000 (£504,000), on turnover £284,000 higher at £3.85m.

After tax of £110,000 (nil) earnings per 10p share were 5.09p against the previous year's 14.28p. A final dividend of 2.275p is proposed, making a total for the year of 3.25p, which was the figure forecast when the company came to the USM in May last year.

Holden is a component supplier to the motor industry and the directors put part of the blame for the profit fall on industrial troubles, resulting in new models being delayed and the loss of production. Orders for two model variants were also cancelled.

They add that the company is involved in several new developments, on which orders have been obtained which will replace the work lost and increase turnover above existing levels.

The new business, coupled with an upsurge in traditional business, supports the confidence in the future of the chairman, Mr Bill Holden.

Pavion gives Sangers a boost

Sangers, the photographic and manufacturing holding company, continued its recovery through the second six months and swung from pre-tax losses of £279,000 to profits of £577,000 for the full year to February 28 1985.

Included in the results was an 18-day contribution from Pavion, the U.S. cosmetics group, which the directors anticipate will settle the future direction of Sangers.

They expect a continuous process of adjustment to meet the demands of the future and to bring to fruition the existing prospects.

Reflecting the significance of the acquisition Sangers is proposing to adopt the name of Pavion International.

Shareholders are told that the purchase of Pavion earlier this year for £21.6m was the most significant step for Sangers since its closed its pharmaceutical wholesaling business during 1982-83.

Group turnover for 1984-85 pushed ahead from £29.9m to £32.67m and generated operating profits of £426,000, compared with previous losses of £204,000.

Pavion's contribution amounted to £709,000. Sangers Photographics improved from £546,000 to £695,000 and Thermex-Thermatron and Colpitt from £160,000 to £696,000. Properties and sundry activities, however, returned losses of £541,000 (profits £325,000)—pharmaceutical wholesaling contributed £14,000 to the previous year's figures.

Tax totalled £376,000 (credit £85,000) to leave net profits of £201,000 (losses £194,000), equal to earnings of 0.2p (losses 0.9p) per 25 p share.

Pending the Pavio acquisition the group requested that dealings in its shares be suspended. Trading recommenced in February on the USM and the directors intend to make an application for a full listing as soon as a qualifying record is attained.

County Bank launches open-ended BES fund

BY WILLIAM DAWKINS

County Bank, the merchant bank, will tomorrow launch its third Business Expansion Scheme fund.

Unlike most BES funds, including County's previous two offerings, it will be open-ended, being able to start investing while still taking subscriptions. Closed funds cannot invest until they have received all the subscriptions for which they have targeted.

Under the BES, shareholders receive tax relief for investing in a wide range of unquoted companies. Investors in closed funds cannot receive tax relief until the entire fund is invested, but open-ended funds can apply for tax relief as soon as an individual subscriber's cash is invested.

While shareholders in closed funds have equal exposures to the fund's companies, each investor in an open fund has a slightly different portfolio.

County expects to stop taking subscriptions by the end of this tax year. It is offering to waive the initial 3 per cent management fee for subscriptions received before July 15.

The minimum investment is £5,000 and applications above that level must be in multiples of £1,000. The fund will not specialise in any industrial sector, but will be looking for capital growth.

Profit downturn at Southend Stadium

Pre-tax profits of Southend Stadium dropped from £147,000 to £116,000 in 1984, on lower turnover of £518,000, against £542,000.

After tax of £48,000 (£73,000) earnings per 5p-share were down from 1.42p to 1.28p. The ordinary dividends is held at 0.55p net.

The company has lodged an outline planning application for the redevelopment of its 9.45 acre site, currently used as a greyhound racing track. The redevelopment will comprise four retail warehousing units, a fast food restaurant, car parking and a small number of houses.

Three leading operators of retail warehouses have indicated their interest in becoming tenants for do-it-yourself, electrical, carpet and furniture units in three of the four proposed buildings.

Bentalls advances

Mr Edward Bentall chairman of Bentalls said at the annual meeting that sales are showing an increase of 11 per cent over last year. This, together with elimination of the interest charge as a result of the sale proceeds of the old Ealing store, means that the company can expect a substantial increase in first half profits.

Of the Kingston store site, the company is finalising the development brief which will go out at the end of the month to a limited number of developers. However, it is likely to be some months before their plans are finalised.

Godfrey Davies

Godfrey Davis (Holdings), a Ford main dealer and also Britain's largest operator of Park Home Residential Estates, has acquired the Tower residential park home at Hullbridge, Essex, for £750,000.

The acquisition will add a further 200 homes, bringing the company's total to more than 2,900 at 24 residential parks.

Mr Cecil Redfern, group chairman, said he was confident that the acquisition would "further increase the profitability of Godfrey Davis (Holdings)."

Watshams buy

Lontec, a wholly-owned subsidiary of Watshams, acquired Drayton Technical Services, a supplier of drawing office materials and printing materials.

Consideration of £775,000 was in cash. Value of net assets acquired was £195,000 and profits attributed to the asset being acquired were £120,134 for the year to October 31 1984.

The acquisition will enable Lontec to "significantly" increase its market penetration in a field with which it is already associated.

I. D. and S. Rivlin

Acceptances have been received for 88 per cent of the I. D. and S. Rivlin Holdings rights issue. The remaining 61,000 new ordinary shares have been sold in the market at a premium.

Sturge obtains a full listing

THE LONG-AWAITED introduction to the Stock Exchange of Sturge Holdings, one of the largest independent Lloyd's underwriting agencies, came yesterday with the directors applying for the whole of the issued ordinary share capital—26,584,011 shares—to be admitted to the Official List.

Dealings are expected to start next Monday. Previously the shares had been traded under Rule 163.

Sturge will be the first underwriting agency to be fully listed on the Stock Exchange. Since it already has a sufficiently large widespread shareholding it satisfies the listing criteria and an introduction is sufficient.

The company acts as members' agent for 1,551 members of Lloyd's and manages 16 syndicates in the marine, non-marine, aviation and motor markets with a combined capacity for 1985 of £470m, involving over 6,800 members.

These include the members' agency and managing agency of Edwards and Payne, acquired in February of this year, when R. A. Edwards and Co (Holdings) was purchased from Sedgwick Group.

The prospectus shows that turnover of the company rose from £1.95m in 1980 to £5.72m in 1984, with pre-tax profits rising over this period from £1.48m to £4.90m. Attributable profit in 1984 was £2.51m with an earnings per share of 10.52p.

The interim results for the six months to March 31 1985 show a pre-tax profit of £1.92m and an attributable profit of £1.06m, with an earnings per share of 4.02p. The directors are forecasting pre-tax profits for the full year to September 30 of £7m, including seven-ninths of the results of R. A. Edwards, with attributable profits of £3.8m and earnings per share of 14.4p. A forecast dividend of 6p net for the full year is made, which compares with a 3.3p dividend paid in 1984.

Mr David Coleridge, chairman of Sturge, pointed out that following recent losses in the company market, worldwide insurance capacity outside Lloyd's had been sharply reduced and a substantial volume of business was now returning to Lloyd's market. There were encouraging signs that premium rates were hardening across most major sectors of the market and he believed that there was a return to more profitable underwriting conditions.

Other Lloyd's underwriting agencies could well follow this lead of Sturge in seeking a full Stock Exchange quotation.

Samuelson Group

Outline terms have been agreed for the Samuelson Group's proposed £2.1m acquisition of the Sydney-based John Barry Group and its subsidiary. The terms are subject to approval by the Australian government.

For the nine months to March 31, 1985 Barry made pre-tax profits of some A$779,000. Net assets at that date were approximately A$1.1m.

Hunting aims at capital strength via reverse bid

Hunting Gibson, the shipbroking, computer services and property refurbishment group, said yesterday that the need to strengthen its capital base lay behind its proposed acquisition of the Hunting Group, a related private investment company, in a complex reverse takeover.

The company spelt out full details of the proposed deal—announced in outline last week—together with publication of its 1984 results, which showed pre-tax profits down from £2.74m to £1.18m on turnover of £13.19m (£14.11m).

Hunting Gibson, which has just 8.4m shares in issues, is planning to issue a further 13.87m to acquire the Hunting Grouup. Hunting Gibson's shares were suspended last Thursday at 105p, which values Hunting Group at approximately £14.6m.

The main assets of the Hunting Group, controlled by Hunting family interests, are a 31 per cent shareholding in Hunting Gibson and substantial stakes in two other quoted companies—Hunting Associated Industries and Hunting Petroleum Services. Another 20 per cent of Hunting Gibson is held privately by various members of the Hunting family.

The effect of the deal would be to increase Hunting Gibson's 1984 earnings per share from 5.45p to a proforma 11.23p and net assets per share from 111.01p to 131.42p.

Hunting Gibson said that its directors had concluded they could not justify paying a final 1984 dividend unless the capital base of the company was strengthened. But provided the deal with Hunting Groop went through, they would be recommending a final dividend of 4p a share, making 6p for the year, the same as 1983.

Hunting Gibson has been withdrawing from its traditional shipping activities in recent years, a process completed early this year. But the company said yesterday that the resultant closure costs and losses had led to a material reduction in the ratio between shareholders funds and borrowings.

Last year E. A. Gibson Shipbrokers had produced excellent results but Systemsolve (Computer Services) had reported significant losses because of a decline in sales and "the failure to control and contain costs on fixed price software contracts." New England Properties had also reported losses.

In 1985 E. A. Gibson was again trading well in difficult market conditions while action had been taken over Systemsolve and NEP should return to profit.

If the deal goes through Hunting Gibson will have a 29 per cent recent stake in Hunting Associated Industries and a 43 per cent one in Hunting Petroleum Services, which it intends to maintain for the foreseeable future.

Plysu profit advances to £3.9m

ON TURNOVER up by almost 20 per cent, Plysu, the Milton Keynes-based manufacturers of plastic containers, domestic wares and protective clothing, saw pre-tax profits for the year to the end of March 1985 rise by more than 17 per cent to £3.87m.

Turnover rose by £4.58m to £27.88m, which included a contribution of £2.93m from the newly-acquired Dutch company, BV Phoenix Plastics. The profits contribotion however was very small.

With tax at £1.56m, against the previous year's £1.3m, when there was an extraordinary debit of £695,000, net profits came ont at £2.31m, compared with the previous year's £1.31m.

Earnings per 10p share were 14.7p, 9.7 per cent higher than the figure of 13.4p for the 1983-84. A final dividend of 2.31p net per share is proposed, making a total for the year of 3.25p (2.7p).

The directors say that in spite of intense competition, the housewares division again produced a very satisfactory result and the new products introduced earlier in the year had been well received. But they warn that special efforts will be needed to maintain tho company's position in the months to come.

After a disappointing start to the year, containers was more activo in the second half. Tho new factory for making elightweight milk and fruit juice bottles had begun production and the company was setting up the full-scale production of other sizes of cootainer to supplement the four pint bottle which continues to sell well.

The directors add that the market for large containers is expanding an dthe company is having difficulty coping with demand despite the introduction of new technically-advanced equipmeot towards the end of the financial year. More similar machinery will be working during the next few weeks.

Capital expenditure last year was £3.98m and the company expects to spend a similar amount in the present period.

Wistech slumps

The weather and the miners' strike are two of the factors blamed for a poor start to the year by the industrial cleaners, Wistech. In the six months to the end of March 1985, on turnover up slightly from £1.87m to £1.92m, pre-tax profits slumped from £133,300 to only £12,500.

Mr. Tony Morgan, the chairman of the Bridgend-based company, says that tho winter is usually a difficult time and this year tho situation has been aggravated by the coal dispute which had an increasing impact on some important customers.

Profits were also reduced by the costs setting up tho North West depot and the asbestos control division, totalling £127,000, which were charged as revenue items, as well as the depreciation of the specialised tanker fleet.

Mr Morgan adds that trading in the last two months of the half-year made up for the losses in the first four months and that the order book for the rest of this year is full. "I anticipate that the pre-tax profits of the company for the second half will be substantially better than those for the second half of last year."

In the second half last year, Wistech made pre-tax profits of £127,720 on turnover of £2.03m.

Former M. P. Kent chief seeks 29.9% of Exeter

BY CHARLES BATCHELOR

Mr Michael Kent, chairman of M.P. Kent, the property development gronp, until it was acquired by C. H. Beazer (Holdings) last November, is making a tender offer for up to 29.9 per cent of Exeter Building and Construction Group, a USM listed company.

Exeter's shares rose 30p to 130p yesterday, 10p short of the 140p maximum price which Mr Kent has put on the tender. At 130p Exeter has a market value of £4.9m.

Mr Kent, who is launching the tender offer through Kent Holdings, said he had no plans to acquire any further Exeter shares in the foreseeable future if he succeeds in gaining 29.9 per cent. Any further purchases would trigger a full bid under the City Takeover Code.

Mr Kent already owns 185,000 Exeter ordinary shares or 4.9 per cent of its equity, all bought since January 1985. The tender offer for up to a further 950,000 shares will remain open until June 12.

Exeter moved from a restricted Rule 163 (2) listing on the stock market to a USM quote in August 1981. Its most recent figures showed a fall in pre-tax profit from £869,000 in 1983 to £382,000 in 1984 on turnover which rose from £35m to £44.3m.

Mr Kent and two other directors resigned from the hoard of M. P. Kent last November after Beazer declared its takeover bid unconditional.

Gieves turns in better than expected £1.01m

Gieves Group, tailor, book manufacturer, publisher and motor dealer, has achieved better than expected results for the year to end-January 1985, although the £1.01m pre-tax result is still lower than the £1.23m last time.

In November the directors expected a somewhat lower figure than the £1m previously forecast, but the improvement is due to the especially good performance by its tailoring subsidiary Gieves & Hawkes, and publisher Chivers Book Sales in the last two months of the year.

The directors are proposing a 2p final, making a total of 3p for the year, against an adjusted 2.5p. Stated earnings per 20p share are down from 11.5p to 7.4p.

It is too early to make any firm forecast for the current year, Mr Michael Keeling, the chairman, says, particularly as the UK trade of Gieves & Hawkes normally earns a high proportioo of its profits in the final quarter.

For the long term the most important event of the year was the creation of a new division engaged in licensing and trading overseas under tho name of Gieves & Hawkes International, and the development programme for this division is aimed at producing substantial profits three or four years hence, and up to a point can be regarded as quasi-capital expenditure, the chairman says.

Turnover for the year increased to £28.09m (£24.59m), generating operating profits of £1.28m (£1.34m).

Tax took £373,184 (£219,940).

BOARD MEETINGS

TODAY

Interims—Fleming American Investment Trust, Keystone Investment.

Finals—Brown and Jackson, Henderson Administration, Pegler-Hattersley, Reed International, Rowe Evans Investments, Sketchley.

FUTURE DATES

Interims—

Blue Arrow	June 6
Flexello Castors and Wheels	June 14
Nash Industries	June 24
Television South	July 1

Finals—

Amber Industrial	June 6
Cable and Wireless	June 26
Cullen's	June 12
Electra Investment Trust	June 12
Electrocomponents	June 10
Elliott (B.)	June 13
Globe Investment Trust	June 11
Great Portland Estates	June 12
Hambros	June 25
Intnl. Signal and Control	June 13
Investment Company	June 13
Oceana Development Inv. Tst.	June 12
Osbourne and Little	June 11
Plantation and Gen. Invests.	June 7
Powell Duffryn	June 18
Steinberg	June 18
Walker and Staff	June 27

U.S. group set to acquire Sanderson

By Martin Dickson

Reed International is in advanced negotiations to sell Sanderson, one of British best-known furnishing fabric manufacturers, to West Point Pepperell, the third biggest U.S. textile company.

Reed announced in February that it was putting Sanderson up for sale but it only named a potential purchaser yesterday.

It said the business to be sold would include all the wallcovering, furnishing fabric and carpet operaoitns of Sanderson, includingi ts small wholesaling activities int ho U.S. It is possible that some of the property assets will be sold separately.

Reed declined to disclose the purchasep rice being discussed with West Point. But it said in February it hoped the divestment as a whole would raise more than the £18m of capital employed in Sanderson last year. The company employs some 950 people at four factories.

The disposal of Sanderson is part of Reed's withdrawal from peripheral activities. It recently sold its wallpaper subsidiaries to Borden of the U.S. for £28.6m.

William Hal ladds from New York: Westpoint-Pepperell has annual sales of $1.3bn (£926m). Although the U.S. textile industry has been badly damaged by import competition recently, Westpoint's performance in recent years has held up surprisingly well. Its management and financial performance is highly regarded on Wall Street.

The company is based at West Point about 90 miles south of Atlanta and its 14 plants straddle the Georgia?Alabama state line. The company was started after the Civil War by two borthers, Lafayett and Ward Crockett Lanier, both Confederate army veterans. Joseph L. Lanier, the current chairman and chief executive, is the grandson of Lafayette Lanier and the Lanier family still plays an important role in the company's affairs.

The company is best known in the U.S. for its bed and bathroom products such as Martex towels but its carpet and rug operations account for about a quarter of its business. The company employs over 20,000 people in plants throughout the south and in Costa Rica.

Bulmer's £3m Australian acquisition

By Alexander Nicoll

H. P. Bulmer, the Hereford cider maker, is expanding its business in Australia with A$5.5m (£3m) purchase of Percentum Foods, a producer of apple and orange juice in Melbourne, Victoria.

Mr Richard Hollis, financial director, said Bulmer had been seeking a presence in Victoria to complemoot its cider and apple juice operations in New South Wales and Western Australia.

Perceotum will retain existing management although its current private owners will leave the company. It produces premium brands mainly from freshly crushed fruit.

The acquisition is subject to review before July 10 by the Australian Foreign Investment Review Board. If no Australian contender emerges, the purchase price will be paid in cash on that date.

Percentum had pre-tax profits of A$870,000 in the year ended June 30, 1984. Net book value of the assets to beacquired is about A$3m.

Ault & Wiborg

Ault & Wiborg, maker of printers inks end rollers, has sold for £400,000 cash the goodwill of its container coats and metal decorating inks business and the technical information relating thereto. The purchaser is Arthur Holden and Sons.

An operations loss of £579,000 was reported for that business in the annual report for 1984.

Electrical and Ind.

Electrical and Industrial Investment, a member of the BET Group, raised its taxable profits from £1.18m to £2.21m for the year to end-March 1985.

FFI has entered into an agreement to acquire Kinsealy Farms, a wholesale processor and distributor of fruit and vegetables, for a maximum consideration of I£1.5m.

* * *

Ramco Oil Services has completed the acquisition of Thomsen Welding. Consideration of £800,000 has been satisfied by the issue of 1,242,065 new ordinary in Ramco. Of these 538,940 are being placed on behalf of the vendor to raise £350,000 net.

* * *

Flextech has purchased a 33.5 per cent interest in Thermal Conversions (UK) from Dunlop for £416,702, and has also subscribed for 272,727 6¼ per cent convertible preference shares of £1 in TCL at a total cost of £300,000.

Proceeds of tho share subscription will provide working capital and further the development of TCL's technology.

The preference shares are convertible into ordinary on the basis of one-for-ooe so that, oo a fully diluted basis, Flextech will own 41.5 per cent of the enlarged capital of TCL.

MINING NEWS

Amax to close two mines as molybdenum price weakens again

BY GEORGE MILLING-STANLEY

IN RESPONSE to the renewed weakness in prices for the steel industry metal molybdenum over the past two months, the world's leading producer, Amax of the U.S., has decided to close its two big mines in Colorado for nine weeks this summer.

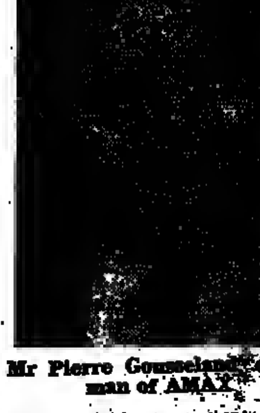
The decision to close the Climax and Henderson mines from July 1 to September 3 was taken in order to redoce Amax's own stock levels, and thereby bring the market back into balance, the company said yesterday.

The two mines suffered a three-year shotdown starting in the summer of 1982 in response to the exceptionally poor market conditions of the period, which had seen the price fall well below its peak of around $20 per pound. Current prices for molybdic oxide, the most commonly traded form of the metal, are less than $1 above the 1975 level of $3 per pound.

Amax reopened the mines only just over a year ago because the stock position had improved to the point where additional prodoction was needed.

Both mines have been operating since that time at around half of their combined nameplate capacity of 100m lbs of contained molybdenum a year. Output during 1984 from the two operations totalled 41m lbs.

Production is unlikely to exceed the 50 per cent of capacity level once the mines resume operations in September.



Mr Pierre Gousseland, chairman of AMAX

Amax said yesterday. The closures will result in a loss of prodnction of around 8m pounds of moly.

Some 1,200 employees will be affected by the closures. During the first three weeks, about 100 hourly-paid workers will be engaged on maintenance projects, while the remainder enjoy an extended Fourth of July holiday break which had been arranged previously.

Thereafter, all but 80 workers will be laid off.

Atlas Mining incurs £21m loss in opening quarter

LOW METAL prices gave Atlas Consolidated Mining and Development a net loss of Pesos 471.33m (£21m) in the opening three months of this year, reports Leo Gonzaga in Manilla.

The latest deficit is more than three times as high as the loss of Pesos 145.7m recorded in the first quarter of 1984, when Atlas went on to lose Pesos 696.5m for the full 12 months.

The average price Atlas realised for its output of copper during the first quartor was 2.56 U.S. cents per pound lower than in the comparablo period of last year, while the averago realised gold price fell by $74 per ounce, the company said.

Atlas owns and operates the largest copper mine in the Far East, located in Toledo, and a medium-sized gold mine in Aroroy, both in tho central Philippines.

The huge first quarter deficit easily exceeds the losses of the other big copper and gold producers in the Philippines. Benguet recorded a loss of Pesos 65m, Marcopper Mining lost Pesos 63m and Lepanto Consolidated lost Pesos 15m.

Figures are not yet available from Philex Mining, but the company is expected to be the only member of the "big five" to show a profit. Philex is virtually free of debt, and has richer ore reserves.

Although gold is only a by-product of its output of copper concentrates, Philex actually produces more of the precious metal than the primary producers.

Beyond that, Philex has diversified into investing in other activities, notably commercial banking and tyre manufacture. Through a subsidiary, it also has interests in three small producing oilfields.

Grand Metropolitan

Mr Michael Orr, the finance director of Grand Metropolitan, said an improvement in profits in the second half of the year ending September 30 after a decline in the first half. This, he said, would enable the group to finish the year with broadly the same profit level as in 1983/84.

United Computer

Pre-tax revenue of United Computer and Technology Holdings was a little higher at £98,000, against £93,000.

Earnings per share rose from 2.3p to 2.41p. The single final dividend is being raised to 1.5p (1.25p)

UK COMPANY NEWS

Norcros improves to £34m and UBM benefits to come

DESPITE sharp falls by both its construction and engineering operations Norcros returned higher profits for the sixth successive year in 1984-85.

On the back of a £26m rise in turnover to £375m profits at the pre-tax level pushed ahead by £1.27m to a record £34.32m to match the directors' forecast made last March at the time of the group's proposed offer for UBM.

At the top end City analysts were looking for figures as high as £36m, although the average expectation was for £33.6m.

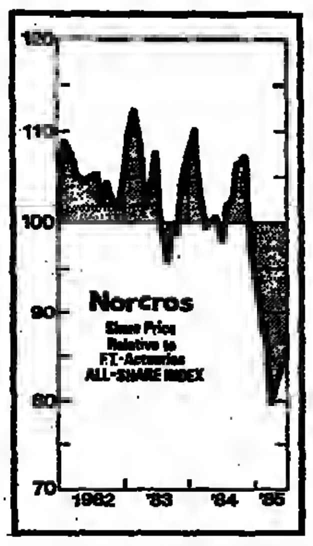
Mr Ken Roberts, the chairman, says the outstanding feature of the year to March 31 was a 39 per cent surge in export business to £57.69m. Sales per employee rose from £25,681 to £29,076 — the group's other interests are in ceramics and print and packaging.

With earnings 20.21p (19.64p) the final dividend is being lifted from 5.2p to the promised 6p for a total 14.7 per cent higher at 8.6p net per 25p share.

Mr Roberts tells shareholders that the results were achieved through "excellent" performances by most subsidiaries and the structure and management changes at Crittall Tectonic and the heavy engineering companies which "substantially" reduced their losses reported at the midway stage.

Norcros said the problem heavy engineering and construction companies were still losing money, but at a much-reduced rate. For the current half-year losses of between £500,000 and £1m are expected from these operations, compared with £3m last time. For the year as a whole both are expected to be close to a break-even postion.

The group also forecast that its reorganisation and closure moves, which resulted in a near-£5m charge below the line in 1984-85, would result in annual savings of between £1.5m and £2m. No further extraordinary charges were expected for the current year.



The chairman noted the numerous advantages now available to the enlarged group following the acquisition of UBM.

He said the directors were confident that the acquisition would accelerate the improvement of overall performance and provide many "exciting opportunities for initiatives, expansion and improved earnings per share."

Shareholders were told that this year would see the amalgamation of the two groups into an efficient integrated unit. On achievement, the directors anticipate that the new and enlarged Norcros will produce earnings "progressively greater than the simple addition of those for the hitherto independent companies."

Group operating profits for the past year fell from £34.17m to £33.48m.

The pre-tax result was after taking in a share of profits of the associates amounting to £3.95m (£1.98m) and adding in investment income of £3.17m (£1.98m). Interest charges accounted for £6.29m (£5.09m).

Tax took £13.72m (£12.97m)

● comment

With a fairly accurate estimate of last year's profit issued on the way to buying UBM there could be little in yesterday's figures to surprise the market. Yet the Norcros management was able to put across a picture of its plans for UBM that the City found tolerably convincing, and that was what really mattered. Although there are plenty of old UBM watchers who wonder whether it really is so easy to make dramatic advances in UBM—particularly giveo the departure of almost all the UBM board—the Norcros change of accent and its intention to put more cash into UBM's merchanting appeared to do the trick: the shares put on 13p to 176p. If Norcros, with 11 months of UBM, can make around £48m in the current year (not the most demanding estimate in circulation) then it ought to make good its promise to escape without dilution of earnings; they should advance from 20 to about 22p per share, which still leaves the combined group at a discount to the market of a third or so. Whether this is a harsh enough valuation to warrant a quick rerating is another question; Norcros might well have provided faster earnings growth this year without UBM. And in any case, although annual losses of over £5m in engineering and the Critall "tectonic" business should be stemmed after the severe pruning, they have not heen halted yet.

Bio-Isolates calls for cash via rights

BY LUCY KELLAWAY

Bio-Isolates, the Welsh biotechnology company, is raising a minimum of £840,000 via an unusual rights issue of poe-for-three ordinary shares priced at 33p, a 6p premium to the share price immediately prior to the announcement.

The issue has been fully underwritten by Le Sueur Cheese Company, Bio-Isolates partner in the U.S. joint venture, and its associated company St Peter Creamery. Bio-Isolates, three largest institutional shraeholders are underwriting the remainder of the issue.

Under the terms of the deal, Le Sueur and St Peter Creamery have agreed to invest £500,000 in the company by buying 1.51m of the oew shares even if the issue is fully taken up by existing shareholders.

In that event, the total amount of money raised by the company would be a maximum of £1.34m, giving the new investors 13.4 per cent of the enlarged share capital.

Bio-Isolates came to the USM as a start-up venture in 1982 with a patented method of extracting protein from whey. It has yet to start making profits, and losses for the 15 months ended to December 1984 were £356,000.

The company has experienced a series of costly delays in its major Michelstown plant in Eire which was a year late in starting production and is currently running at only 60 per cent capacity. The group says that as a result of these delays its financial position has deteriorated to the point where new capital is required to ensure the company's future.

The injection of new money will be used to fund the company's working capital deficiency, and to tide it over until its plants in Ireland and in the U.S. are running at full capacity.

The shares closed yesterday up 4p at 31p.

● comment

From a placing price of 33p four years ago, the market has chased Bio-Isolate's shares to above 400p and back down to Monday's low of 27p. With this invitation to investors to try again at the original price, Bio-Isolates seems to be starting all over again. This time, however, the company is not only wiser, it is also much better capitalised. Having presumably learnt from its mistakes at Mitcbelstown, which should be operating at full capacity by the end of the year, production at the U.S. plant should begin oo schedule this summer. There is every reason to believe that there is a large market for the protein, Bipro, both in the UK and the U.S., so if the company can produce it, selling it should be easy. The market, which had been getting increasingly apprehensive at the silence on bow Bio-Isolates was going to solve the problem of its shortage of funds, now seems relieved. The willingness of the institutions and of Le Sueur to invest on such apparently unfavourable terms is an encouraging vote of confidence in the company's prospects. Investors, who for the moment at least, have the chance to buy shares cheaper in the market, did so in earnest yesterday. If the share price does rise above the rights price shareholders should consider giving the company another chance.

Ophthalmic growth lifts UKO

RECORD sales in both its ophthalmic and catering equipment divisions saw 1984-85 pre-tax profits at UKO International climb by almost 31 per cent.

The chairman, Sir Ian Morrow, says the improvement is the result of both increased turnover and better operating efficiency. He adds that there has been a marked improvement in the profits of the ophthalmic division, up by more than 35 per cent, and the manufacture of lenses is now profitable, although strike action at the beginning of the period had an adverse effect.

"Product development costs were unusually heavy in preparation for the market changes occasioned by the termination of the general provision of spectacles under the health service."

In the catering division, where profits rose by more than 25 per cent, the chairman says that considerable effort is being made to improve exports and that new products are being developed.

In the year to March 29 1985, turnover for the group rose by almost 9 per cent from £58.51m to £63.78m, with the catering equipment division seeing a proportionately bigger improvement, 17 per cent against almost 7 per cent.

Pre-tax profits improved by £847,000 to £3.6m. With tax at £680,000, against the previous year's £447,000, and no extraordinary items (£200,000 debit), after-tax profits came out at £2.92m, a rise of more than 38 per cent.

Earnings per share, after extraordinary items, were 20.8p, compared to 15p for 1983-84.

A final dividend of 3.5p is proposed, making a total for the year of 5p. The previous year, a final of 3p was the only payment, when UKO returned to the lists after passing in the previous two years.

The annual meeting will be held on Thursday, July 25.

Blue Circle recovers as cement deliveries pick up

Mr John Milne, chairman of Blue Circle Industries told the annual meeting that the group's UK business had recovered from a very poor performanc in January and February, when business suffered from bad weather.

He said cement deliveries at the end of February were 20 per cent below the same point last year, but these had picked up considerably and were now only marginally below the 1984 period.

Overseas companies had had an encouraging start, particularly in Australia, New Zealand and Mexico. The overall result for the year was difficult to forecast due to the volatility of exchange rates.

In the UK the 1985 result should derive some small benefit from the kilns at Dunbar and Cauldon but most advantage will come through in 1986.

He said business should be helped by the 4.5 per cent increase in cement prices from June 1 but this would not offset the effects of inflation. He added that some ill effects of the miners' strike were still being experienced.

In the U.S., the cement business continues to do well as the construction industry holds up. A new plant in North Carolina is on schedule to start productioo in three months' time. The Armitage Shanks U.S. business is performing well.

TECHNOLOGY

EDITED BY ALAN CANE

Why Britain must spend more on research

Independent contract research companies believe they have the answer to boosting R & D, reports Alistair Guild

BRITAIN is falling behind on spending on research and development, according to independent contract research companies.

They believe the level of *spending is far too low to* sustain the UK's technological base, with companies often spending only 1 or 2 per cent of turnover on research and substantial cutbacks by government.

One answer, says the Association of *Independent Contract* Research Organisations, is for government and companies to make more use of their members, who can carry out research more cost-effectively.

Later this month the association is to meet industry *ministers Mr John Butcher and* Mr Geoffrey Pattie to press their case.

"Increasingly industry and government are either unable or unwilling to finance the necessary level of R & D," says Dr Alan Rndge, the association *president. The situation is* made more serious, be says, by the lack of really large British companies.

It now requires a broad range of *technologies to solve* technical problems or to *produce* a new product and taken individually the UK's small and medium sized companies do not have an adequate across-the-board capability.

‘Increasingly industry and government are unable or unwilling to finance R&D’

"It is much more cost effective for a company to tap the resources of a contract research organisation when it has the need," says Dr Rudge.

To illustrate this he points to a metal working company which switched from making aluminium spinnings for milk churns to manufacturing microwave antennas for satellite and terrestrial communications.

Dr *Rudge's* company, ERA Technology designed the product and made the key components until the company could reach the necessary *standard.* It *could not have* *achieved* that *transformation* itself and no foreign company would have sold it the technology to enabla it to compete.

According to Dr Rudge, It *costs* a company about £40,000 a year to employ a qualified research scientist whether it is *using him effectively* or not. It can cost as much as £500,000 for a research team of 12 with administrative support. Even then, the next project may need a different team, or a special research facility bought for one project may becoma redundant.

ERA, for example, has recently installed facilities for activities such as approval testing of cellular radio equipment and electromagnetic interference *and* compatibility testing.

This cost more than £500,000 and is now available to industry as required.

At the meeting with ministers, Dr Rudge, will seek to impress on government the importance of contract research organisations.

"Collaborative, pre-competitive research can be very cost-effective bnt it takes a good deal of effort to set up and agree a programme of work with the companies involved. The support of the Department of Industry is often critical in assisting a research company to organise a suitable programme and to obtain the necessary industrial contributions," he says.

The association is one of two trade groupings—the Committee *of Directors* of *Research* Associations is the other—which represent 45 research companies. Together they employ nearly 10,000 staff and have a combined turnover approaching £200m a year.

One measure of their success is the increasing level of venture capital attracted to projects, *even before they* have reached the development phase. For example, Cogent, backed by Legal and General is financing 12 R&D programmes placed *with association* members and has recently injected a further £6m.

Tha research organisation carries out the development *work, a "host" company receives* the product of that work and Cogent then gets its return on the investment either by taking an equity share in the host company or by holding on to the licence.

In the past five years the work of research companies has been steadily increasing, especially in the civil sector. ERA, perbaps tha largest research company, has about doubled its real turnover in that time.

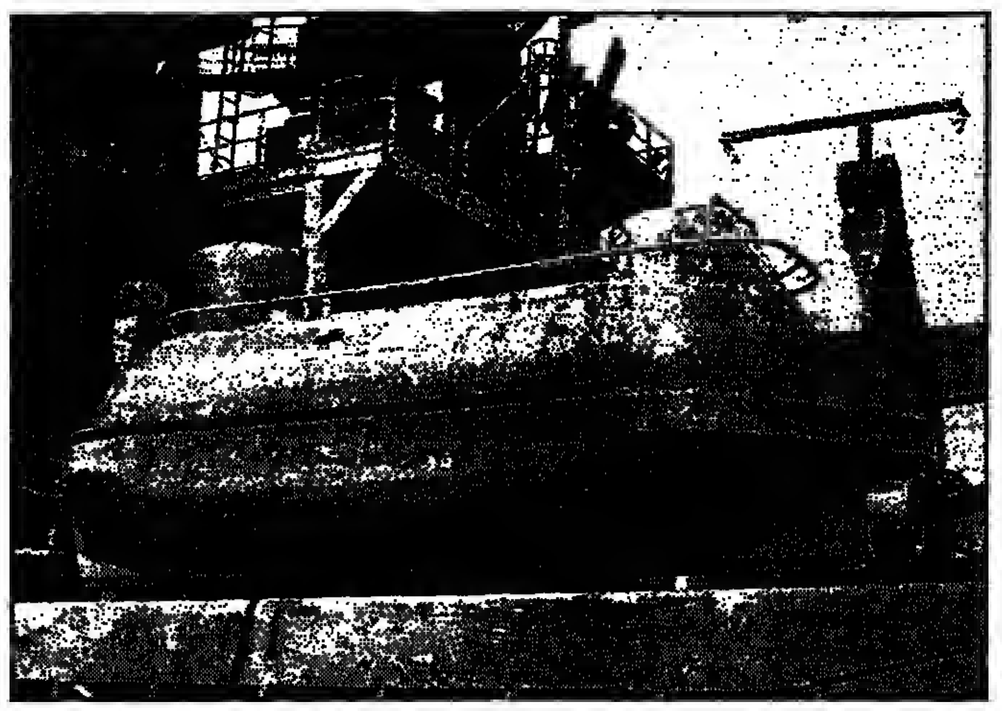
Now they are seeking a bigger role in military R and D also. "There is justifiable concern that tha spin-off from Ministry of Defence research spending has not been all it might be," says Dr Rudge.

"It is noteworthy, however, that when one of our members does such work, it tends to be the same individuals who will later carry out non-military *projects, thereby carrying for*ward mnch of what they have learned."

‘It is much more cost-effective for a company to use a contract research organisation’

Dr Rudge views with concern the pressure on universities to do more short-term development work for industry. He believes that priorities are beocming *confused:* "Industry looks to universities primarily for a supply of graduates and post-graduates, not for its development work.

"Universities are best suited for medium and longer term research whlcb provides the necessary intellectual stimulation and keeps the standard of teaching high. The most effective form of technology transfer is still the movement of a trained graduate or post graduate from university into industry," he says.



A BRITISH company is selling a lifeboat that can handle the tricky job of rescuing divers from the decompression chambers of a *ship that is in difficulties.*

The Phoenix lifeboat (pictured left) which with ancillary equipment costs £500,000, would swing into action if a *group of divers had to leave* their decompression chambers on board a diving ship in an emergency.

They would move into *similar chambers in* the lifeboat, which is sold by Offshore Marine Engineering of Walsall, near Birmingham.

Field trials in the North Sea have shown that a team of 12 divers could be accommodated inside the Phoenix, *which can be launched from* a support ship and propelled 100 metres away within five minntes.

The lifeboat has its own life-support hardware that can keep the divers alive under pressure for up to five days. *It will operate in clouds of* gas or in a fire and rights itself if flooded.

Small is beautiful in the offshore oil industry

Mark Meredith explains how tiny specialised high tech companies can force the pace in the North Sea

SOME OF the success stories in the North Sea are small ones. Even so the lessons they provide others trying to enter a difficult market are significant.

Liebnitz Lann, a small Scottisb electronics company based outside Nairn in the Highlands, demonstrates that small scale, adaptable operations often bave a distinct advantage when competing against big corporations.

The Scottish company produces text overlay equipment for underwater video signals, communications for underwater television cameras, diver communications and higb specification scientific compoters.

It bas succeeded whare it now counts: in high technology areas of offshore development suited to the advanced techniques being applied to marginal and deep water oilfields.

Exploration in very deep water for exampla will require greater use of underwater remote operated vehicles using television cameras to carry ont seabed surveys or to spot problems.

This type of technology is also vital to the future of Britain's industry because these products can be exported to new fields when Britain's offshore reserves run down. Liebnitz Lann already exports around 20 per cent of its sales.

The *businessman hoping to* get a slice of the £30bn invested to date offshore in the UK has faced some fundamental problems. He bas had to get a hearing from big and usually conservative offshore operators reluctant to try out contractors they don't know; be has bad to convince the operators to ba ready to take technological gambles with new machinery; and he bas had to be abla to deliver reliable back up service once be is accepted.

Bill Liebnitz and Ray Lann had experience in offshore electronics. This helped them overcome the initial credibility problems with oil companies and their sub-contractors.

"You have to grind away at these things but we had some acceptance from the start because people knew us from our previous work," said Mr Liebnitz, who was formerly with Hewlett Packard in Scotland, and then with Osprey Electronics, another small company which has had considerable success selling underwater television cameras.

Ray Lann worked with Racal Decca and several small companies *in the offshore servicing* market before teaming up with Leibnitz four years ago.

Their opening gambit allowed them to develop a range of products. First they offered their services in contract offshore electronic design work. This brought in the money to run their company and invest in equipment.

"We then used these design *contracts to develop* prodncts we could sell," said Bill Liebnitz: "It was a good way to start."

They found, like others in the field of offshore electronics, that opportunities arise for small companies because big electronics concerns are unwilling to adapt to the market.

Individual offshore orders for electronic equipment, even for an offshore oil project, are often too small and offer no volume potential to large companies.

Liebuitz Lann's video text overlaying system had competition mostly from a Japanese company whose equipment was meant for large production studios. This gave the Scottisb company a chance to adapt the machinery to the cramped, functional offshore conditions and get a small bold in a corner of the market.

Other adaptations followed: *A multiplexing system to allow* tha signals from your television cameras to be sent up one coaxial cable instead of four. Future developments with fibre optics are designed to give remote operated vehicles used for underwater inspection yet more scope and flexibility.

The sales of the company — which employs 17 — are about £280,000 a year. Tha most encouraging sign is the work underway for a larger factory next door to allow for expansion.

Operating from the Highlands nevertheless has its problems. Although within a two hour drive of Aberdeen, companies like Liebnitz Lann have greater problems recruiting electronics engineers than companies based in central Scotland where most big electronics companies are based.

Electronic aid for GM vehicle line

EVERY BUICK motor vehicle from General Motors will shortly travel through its assembly stages bearing its own electronic "identity," a memory mounted on the car body which stays with the product *during the entire* process.

The system is made by Philips Elektronikindustrier of Sweden, a member of the Philips group.

Called Premid, the memory can be programmed with prodnct specification—for example, engine type, gear box, body type, colour and so on.

At various stations along the prodnction line microwave devices *interrogate* the memory devices, check that the contents are accurate, and, if necessary, modify the data contained within.

GM, which manufactures 1,300 vehicles a day, claims that every minute of stoppage represents a loss of more than $10,000. The Premid system is designed to give the manufacturer more reliable monitoring and control of the prodnction chain and so minimise stoppages.

Video advice for drivers

UNIPART, the car parts company owned by BL, has prodneed a set of computer-linked video discs to tell motorists bow to prepare their cars for winter.

The discs are controlled by a simple keyboard so that a person can obtain pictures and sound from a variety of places on the devices. *Different programs can* be loaded into the computer so that the discs can be used for a variety of purposes.

Software for controlling the disc was *written* by Abbey Information Systems of Leatherhead, Surrey.

BASE LENDING RATES

A.B.N. Bank	12½%	C. Hoare & Co.	12½%
Allied Irish Bank	12½%	Hoogkong & Shanghai	12½%
American Express Bk.	12½%	Johnson Matthey Bkrs.	13 %
Henry Ansbacher	12½%	Knowsley & Co. Ltd.	13½%
Amro Bank	12½%	Lloyds Bank	12½%
Associates Cap. Corp.	13 %	Edward Manson & Co.	13½%
Banco de Bilbao	12½%	Meghraj & Sons Ltd.	12½%
Bank Hapoalim	12½%	Midland Bank	12½%
BCCI	12½%	■ Morgan Grenfell	12½%
Bank of Ireland	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of Cyprus	12½%	National Bk. of Kuwait	12½%
Bank of India	12½%	National Girobank	12½%
Bank of Scotland	13½%	National Westminster	12½%
Banque Belge Ltd.	12½%	Northern Bank Ltd.	12½%
Barclays Bank	12½%	Norwich Gen. Trust	12½%
Beneficial Trust Ltd.	13½%	People's Trust	14 %
Brit. Bank of Mid. East	12½%	Provincial Trust Ltd.	13½%
■ Brown Shipley	12½%	R. Raphael & Sons	12½%
CL Bank Nederland	12½%	P. S. Refson	12½%
Canada Permanent	12½%	Roxburghe Guarantee	13½%
Cayzer Ltd.	12½%	Royal Bank of Scotland	12½%
Cedar Holdings	13 %	Royal Trust Co. Canada	12½%
■ Charterhouse Japhet	12½%	■ J. Henry Schroder Wagg	12½%
Choulartons**		Standard Chartered	‖12½%
Citibank NA	12½%	TCB	12½%
Citibank Savings	¶12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13½%	United Mizrahi Bank	12½%
Comm. Bk. N. East	13 %	Westpac Banking Corp.	13 %
Consolidated Credits	12½%	Whiteaway Laidlaw	13½%
Co-operative Bank	*12½%	Williams & Glyn's	12½%
The Cyprus Popular Bk.	12½%	Wintrust Secs. Ltd.	12½%
Dunbar & Co. Ltd.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		
■ Hill Samuel	§12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%. 1 month 10½%. Top Tier—£2,500+ at 3 months notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
§ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
‖ Demand deposits 9½%.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday June 5 1985

International oil prices continue to lose ground, Page 42

WALL STREET

Marking time ahead of further data

HEAVY trading continued on Wall Street yesterday as equities again churned around their recent price levels, *writes Terry Byland in New York.*

At 3pm, the Dow Jones industrial average was 2.24 higher at 1,313.17.

The bond market was busy absorbing its gains of the previous day, and prices began to turn lower after an initial attempt to move forward again.

The balance of market opinion continued to predict an easing in Federal Reserve policy in the near future. A cut in the Fed's discount rate to 7 per cent, coupled with reductions in bank prime rates to 9½ per cent, has been widely forecast by some analyts, although others believe that the Fed may have already eased policy enough to re-stimulate the economy. Further significant evidence on the economic pace is due on Friday when the latest unemployment statistics are expected.

The bond trading houses, which were caught in a bear squeeze on Monday, relaxed buying pressures yesterday as soon as prices started to rise. The Federal Reserve helped liquidity with two-day system repurchases, when federal funds stood at 7¹⁵⁄₁₆ per cent. At mid-session, bond prices slipped below overnight quotations.

Firmness in computer and auto stocks helped the Dow average, but across the broader range of the stock market, prices were mixed.

Oil stocks remained weak, as investors awaited a move in British North Sea oil prices. Exxon, at $52½ shed $⅛ and Atlantic Richfield lost $⅛ to $60.

Bank stocks, still benefiting from the postponement of cuts in prime rates, featured gains of $1 to $71⅞ in Bankers Trust, and $⅛ to $51⅛ in J. P. Morgan. The weak spot was BankAmerica, down $1¾ at $20 in very heavy turnover after Mr Sam Armacost, group president, warned that higher loan losses would leave second-quarter results at around break-even levels. Security Pacific, fellow Californian bank, added $1 to $30¼.

With the latest industry sales reports now reaching Wall Street, the Detroit motor stocks found support. At $43⅞, Ford added $½ in brisk trading. General Motors was $⅛ higher at $71⅛ and Chrysler $⅛ up at $36. Only American Motors, facing plummetting sales and labour problems at the Kenosha plant, remained unchanged at $3.

Airline stocks again responded to the expectation of lower fuel prices – a major cost factor. Pan American added $⅛ to $6⅞, almost a new peak. American Airlines was $⅛ up at $46⅞. Reports that United has ample cash in its coffers to face a prolonged strike by the pilots left the stock $1⅜ higher at $57.

As R. J. Reynolds commenced its tender offer of $85 each for up to 29m shares, Nabisco Brands stock traded unchanged at $81⅝. Reynolds itself jumped $1¾ to $76¾, again reflecting satisfaction with the price bid for Nabisco, which was below expectations. Phillip Morris, no longer likely to be drawn into the fray, edged up by $⅜ to $87⅛.

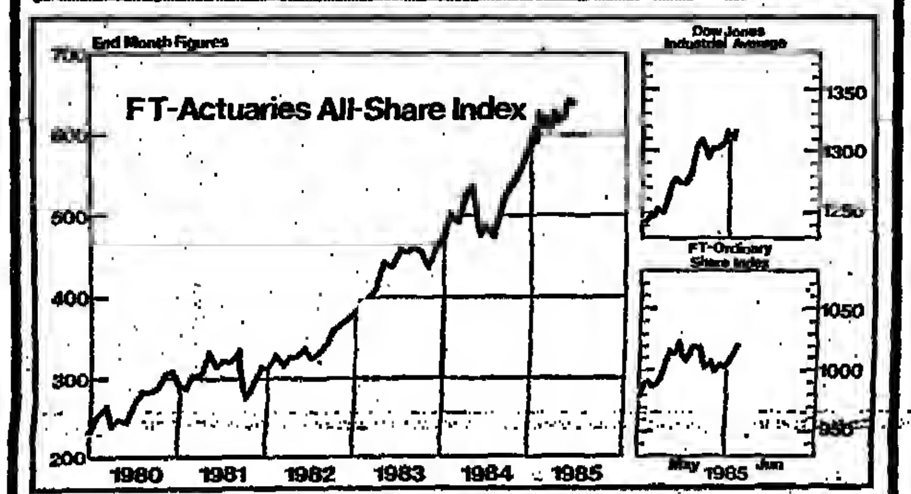
The bid excitement continued to overflow into other food and retail stocks. Hershey, the chocolate manufacturer, bounded by $2¼ to $48¼ although turnover was thin. General Foods, also regarded as a possible bid target, put on $1 to $70½.

Coca-Cola jumped $1⅛ to $70⅛ after announcing plans to raise $750m by selling off receivables. Other consumer groups in the market's eye included Gillette, $¼ higher at $59¼ after announcing introduction of a new disposable razor, and Polaroid $1¼ up at $31¼ after a favourable review in the investment press for the new camera line.

In the credit markets, short-term rates edged higher despite the Fed's action to help liquidity. Federal funds remained close to the 8 per cent levels.

Bonds had a quieter session but began to slip lower as buying support proved to be lacking. Retail investors remained out of the market, and the trading houses were trimming portfolios in the wake of Monday's sharp gains in prices.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 4	Previous	Year ago
NEW YORK			
DJ Industrials	1,313.17*	1,310.93	1,131.57
DJ Transport	649.98*	647.85	485.49
DJ Utilities	163.57*	163.26	124.86
S&P Composite	189.69*	189.27	154.34
LONDON			
FT Ord	1,020.2	1,010.7	840.1
FT-SE 100	1,336.6	1,324.6	1,078.0
FT-A All-share	643.8	638.9	501.41
FT-A 500	707.39	701.5	550.31
FT Gold mines	450.2	450.7	698.5
FT-A Long gilt	10.58	10.6	10.59
TOKYO			
Nikkei-Dow	12,583.31	12,473.41	10,131.7
Tokyo SE	991.17	984.62	782.22
AUSTRALIA			
All Ord.	861.2	872.3	681.5
Metals & Mins.	518.0	534.5	459.1
AUSTRIA			
Credit Aktien	99.17	98.67	54.7
BELGIUM			
Belgian SE	2,371.17	2,373.84	—
CANADA			
Toronto			
Metals & Minls	1,943.3*	1,955.5*	2,025.0
Composite	2,745.60*	2,744.75	2,284.50
Montreal			
Portfolio	134.18*	134.19	111.57
DENMARK			
SE	191.42	190.99	184.95
FRANCE			
CAC Gen	232.0	232.5	172.2
Ind. Tendance	130.0	129.9	89.0
WEST GERMANY			
FAZ-Aktien	457.73	461.95	344.13
Commerzbank	1,344.2	1,355.0	999.1
HONG KONG			
Hang Seng	1,643.35	1,641.25	917.5
ITALY			
Banca Comm.	302.77	303.22	208.36
NETHERLANDS			
ANP-CBS Gen	212.5	212.1	156.9
ANP-CBS Ind	174.6	174.0	125.9
NORWAY			
Oslo SE	343.87	345.97	270.10
SINGAPORE			
Straits Times	809.13	812.41	939.39
SOUTH AFRICA			
JSE Golds	—	1,037.1	1,018.2
JSE Industrials	—	963.0	963.6
SPAIN			
Madrid SE	110.69	110.25	84.43
SWEDEN			
J & P	1,347.00	1,360.83	1,456.24
SWITZERLAND			
Swiss Bank Ind	435.8	433.5	361.5
WORLD	June 3	Prev	Year ago
Capital Int'l	213.4	212.5	176.4

GOLD (per ounce)

	June 4	Prev
London	$315.75	$318.00
Zürich	$316.25	$314.75
Paris (fixing)	$316.59	$316.64
Luxembourg	$318.25	$317.25
New York (Aug)	$319.10	$318.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR June 4	U.S. DOLLAR Previous	STERLING June 4	STERLING Previous
$	–	–	1.277	1.2945
DM	3.054	3.0565	3.8975	3.9475
Yen	249.1	248.8	318.0	321.25
FFr	9.31	9.29	11.885	12.015
SwFr	2.569	2.562	3.28	3.315
Guilder	3.455	3.433	n/a	
Lira	1,946.5	1,947.5	n/a	
BFr	61.45	61.35	n/a	
C$	1.367	1.3658	n/a	1.769

INTEREST RATES

	June 4	Prev
Euro-currencies (3-month offered rate)		
£	12⅝	n/a
SwFr	5⁷⁄₁₆	n/a
DM	5⅝	n/a
FFr	10⁷⁄₁₆	n/a
FT London Interbank fixing (offered rate)		
3-month U.S.$	7¹¹⁄₁₆	7¹¹⁄₁₆
6-month U.S.$	7⅞	7⅞
U.S. Fed Funds	8*	8
U.S. 3-month CDs	7.30*	7.43
U.S. 3-month T-bills	7.03*	7

U.S BONDS

Treasury	June 4* Price	June 4* Yield	Prev Price	Prev Yield
9⅝ 1987	100²³⁄₃₂	8.67	100²³⁄₃₂	8.70
11⅝ 1992	108²⁹⁄₃₂	9.91	109	9.91
11¼ 1995	107¹⁹⁄₃₂	10.036	107¹⁵⁄₃₂	10.04
11¼ 2015	107²⁹⁄₃₂	10.392	107²⁹⁄₃₂	10.40
Corporate				
AT & T				
10⅜ June 1990	101⅝	10.01	100¼	10.30
3⅜ July 1990	80⅝	8.65	79⅜	8.90
8¾ May 2000	85¼	10.75	82⅜	11.15
Xerox				
10⅞ March 1993	100⅝	10.50	97⅞	10.95
Diamond Shamrock				
10⅞ May 1993	99⅝	10.65	97¼	11.05
Federated Dept Stores				
10⅞ May 2013	95.495	11.15	92.31	11.51
Abbot Lab				
11.80 Feb 2013	105.061	11.20	102.959	11.50
Alcoa				
12¼ Dec 2012	104.912	11.65	101.996	12.00

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	78–17	78–30	78–09	78–21
U.S. Treasury Bills (IMM) $1m points of 100%				
June	92.97	93.00	92.96	93.04
Certificates of Deposit (IMM) $1m points of 100%				
June	92.69	92.72	92.65	92.71
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.39	92.39	92.34	92.39
20-year Notional Gilt £50,000 32nds of 100%				
June	106–30	107–11	106–23	106–30

COMMODITIES

(London)	June 4	Prev
Silver (spot fixing)	474.60p	478.90p
Copper (cash)	£1,128.00	£1,128.00
Coffee (July)	£2,036.00	£2,020.00
Oil (spot Arabian light)	$26.65	$26.735

TOKYO

Rally despite broad hesitancy

A STRONG rally developed in Tokyo yesterday after Monday's nosedive, but it did not lift the mood of overriding caution, *writes Shigeo Nishiwaki of Jiji Press.*

Main buying targets were non-life insurances, trust banks, leading constructions and blue chips.

The Nikkei-Dow average of 225 select issues recouped half of Monday's loss, finishing 109.90 higher at 12,583.31. Trading dipped to 458m shares from 518.92m on Monday. Advances outpaced losses 487 to 326, with 128 issues unchanged.

Despite fears it might slip below Y1,000, Asahi Chemical recovered due partly to heavy buying by dealers. It fell to Y999 but closed Y70 up at Y1,080 on the day's second heaviest trading of 12.4m shares. Hitachi, which also came under selling pressure on Monday to trigger widespread losses among blue chips, gained Y9 to Y718. Hitachi's performance apparently allayed investor apprehensions about the market outlook, analysts said.

Sumitomo Light Metal Industries topped the list of 10 active stocks with 13.92m shares changing hands. It jumped Y18 to Y375, reflecting rapid expansion of its magnetic disk materials division.

Among non-life insurances, Yasuda Fire and Marine and Sumitomo Marine and Fire were placed fourth and fifth respectively, on the turnover list. Yasuda advanced Y18 to Y550 and Sumitomo soared Y33 to Y709. Tokio Marine and Fire was the 10th busiest, adding Y12 to Y946.

Osaka Cement closed Y20 up at Y320 on the sixth heaviest trading, while Ohbayashi and Tobishima rose Y15 each to Y287 and Y299.

The yen's advance against the U.S. dollar prompted investors to buy utilities, with Tokyo Electric Power adding Y20 to Y2,090 and Kansai Electric Power Y30 to Y1,840. Tokyo Gas rose Y5 to Y226.

Mitsubishi Heavy Industries, which together with power issues had been leading large-capital stocks forward, was traded heavily with 10.91m shares changing hands, but rose only Y1 to Y290.

Hitachi's rise helped push up other blue chips. Sony gained Y60 to Y4,000 and Pioneer Y90 to Y1,790, while NEC moved back up to the Y1,000 mark, advancing Y31 to Y1,030. Fuji Photo Film closed at Y1,730, up Y40. But trading volumes were still quite low.

Bond prices rose sharply on brisk trading. Institutional investors were encouraged by the bond price upsurge in the U.S. on Monday and the yen's rise. City banks participated actively in the market after their dealing in outstanding public bonds was deregulated on Saturday. The yield on the 7.3 per cent government bonds due in December 1993 dropped to a record low of 6.460 per cent from 6.530 per cent.

LONDON

EARLY WEAKNESS in London gave way to brighter conditions which boosted the FT Ordinary share index to within 4.3 of its record.

By the close of business the index closed 9.5 higher at 1,020.2 – its high for the day.

Hopes of a cut in bank base rates and satisfaction with Government money supply figures boosted market sentiment.

Life insurance companies were again well supported with Legal and General firming 22p to 725p.

Oil stocks were subdued by concern about crude prices and takeover speculation was less evident than in recent sessions.

Chief price changes, Page 32; Details, Page 33; Share information service, Pages 34–35

EUROPE

Record run halted by profit-taking

INVESTORS in **Frankfurt** paused to catch their breath after 11 consecutive days of hectic trading which left indices at record highs.

Profit-taking put a halt to the powerful rally and pulled blue chips down from near record levels. The Commerzbank index ended 10.8 lower at 1,344.2.

Banks, which gained strongly in the previous session on lower U.S. interest rate hopes, ended lower. Deutsche Bank shed DM 10 to DM 538 ex-dividend, Commerzbank dropped DM 1.50 to DM 209 and Dresdner was DM 2.50 lower at DM 233.50 ex-dividend.

Market rumours that Kuwait had purchased stakes in both Dresdner and Commerzbank were later denied by officials from both banks.

Chemicals group Hoechst dipped DM 2.20 to DM 237.50 ahead of strong first-quarter results, and other chemical, electrical and automotive issues suffered the sharpest setbacks.

In cars, Daimler-Benz saw one of the largest drops of the day, losing DM 19, twice its gain on Monday, to DM 813. Tyre-maker Conti-Gummi, which recently took a majority controlling stake in Semperit of Austria, was DM 1 lower at DM 141.50.

Only limited changes were seen in **Amsterdam**. As the U.S. dollar improved, market sentiment improved.

Insurers and industrials were broadly higher, taking the market indices to yet a new 1985 record. However, Aegon moved against the trend, easing 60 cents to Fl 193.90, and Amev lost 60 cents to Fl 248.

In blue chips Royal Dutch picked up the previous day's losses to end Fl 3.80 higher at Fl 201, while KLM dipped 70 cents to Fl. 81.70.

Bonds were unchanged to lower

The food sector performed best in a mixed **Paris**. BSN Gervais jumped FFr 55 to FFr 2,595, continuing Monday's gains, and Moët Hennessy added FFr 19 to FFr 2,018.

Peugeot, which halved its losses for 1984, continued lower, ending FFr 1 off at FFr 364. Michelin, the tyre-maker, was FFr 20 lower at FFr 1,050.

Banks, portfolios and construction issues were mixed, while stores moved narrowly lower.

Zurich experienced selective buying to move firmer, but some investors determined to take profits from banks and insurances which had previously been strongly sought.

Swiss bonds ended steady.

Brussels ended unchanged to higher with utilities, industrials and chemicals contributing to the market's firmness.

In chemicals, Solvay added BFr 70 to BFr 4,500 on expectations that this year's earnings will match those of 1984.

Worries about world oil prices hit Petrofina, however, which dropped BFr 150 to BFr 5,990.

High-yielding government bonds drew money away from the **Stockholm** bourse, which ended lower on relatively active trading.

In engineering, Asea rose SKr 4 to SKr 337, while SKF was SKr 3 off at SKr 203. Car maker Volvo shed SKr 4 and Pharmacia continued lower at SKr 186, down SKr 2.

Milan ended easier, still plagued by worries over Sunday's wage referendum. A number of industrials and insurance stocks moved against the trend, however, with Montedison L18 higher at L1,680 and Fiat L18 up at L3,145.

Madrid continued higher.

SOUTH AFRICA

GOLD and other mining stocks retreated on a broad front in Johannesburg as the international bullion price failed to provide a positive lead.

Among leading stocks, Randfontein dropped R4 to R198 while Buffels slipped R2.50 to R26.50 and President Steyn eased R1 to R54.

Diamond producer De Beers fell 7 cents to R10.67, while Impala closed 60 cents lower at R20.25.

Industrial stocks closed steady after dull trading.

CANADA

TURNOVER remained relatively high in Toronto, although price movements were held between narrow boundaries.

International Thomson was the most active stock, trading C$¼ higher at C$8⅞, followed by CAE Industries, which firmed C$½ up at C$18¼.

Montreal was generally firmer on increased turnover.

AUSTRALIA

A FEDERAL Government proposal to tax gold mining companies inspired a hectic round of selling in Sydney, with mining and resource stocks under most pressure.

After a steady march forward during the past two months gold stocks were hit heavily by the Government announcement, leaving the gold index 52.7 lower at 848.1.

The metals and minerals index slumped 16.5 to 518.0, reflecting broader selling among heavyweight issues.

The main casualties among gold stocks were Central Norseman down 50 cents to A$7.90, Emperor 15 cents off at A$3.80, Renison 30 cents lower at A$4.95 and Whim Creek which closed 25 cents lower at A$2.75.

Other leaders which fell through their exposure to gold mining included CRA down 18 cents to A$6.04, Western Mining 18 cents to A$3.80 and BHP 12 cents to A$6.18 on heavy turnover.

Industrial stocks were sheltered but closed generally easier. National Australia Bank which topped the turnover list with more than 2.7m shares changing hands, rose 2 cents to A$4.38.

HONG KONG

LATE profit-taking failed to totally erase earlier gains in Hong Kong, leaving a broad range of stocks marginally ahead.

Small investors were responsible for most of the selling during the afternoon, which came in response to the previous day's strong advance.

Speculative buying backed a further 20 cent rise by Jardine Matheson which closed at HK$11.70 while Swire Pacific firmed 10 cents to HK$23.50.

The Hang Seng index finished 2.1 higher at 1,643.35 after being 8.5 higher during the morning session.

Property issues were generally lower. Hongkong Land eased 5 cents to HK$5.95, Sung Hung Kai 10 cents to HK$12.50 and Cheung Kong was unchanged at HK$17.10.

SINGAPORE

SELLERS held the upper hand during trading in Singapore, although turnover remained thin.

Falls held a five-to-one advantage over rises as the Straits Times industrial index lost 3.28 to 809.13. Price movements were generally marginal.

Sime Darby closed 3 cents lower at S$2.03 on a turnover of 535,000 shares

Prices at 3pm, June 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.5	15	193	19½	19¼	19½	+⅛
16½	8⅝	AGS			12	142	14	13¾	14	+¼
16⅝	9⅝	AMCA				1	10¾	10¾	10¾	+⅛
31½	13¾	AMF	.50	2.6	54	488	19⅜	18¾	18⅞	−½
48⅛	24¼	AMR			11	2674	47	45¼	46⅞	+⅛
21⅞	19⅜	AMR pf2.18		16.		13	21¾	21½	21¾	+¼
23	18	ANR pf 2.12		11.		52	20	20	50	+¼
14¼	7¾	APL				9	9	8⅞	8	+¼
65¼	44⅞	ASA		24	0	223	50¼	49⅞	50¼	
27	14⅛	AVX	.32	2.3	12	50	15⅛	14⅞	14⅞	−½
25¼	18	AZP	2.72	11.	6	1410	25¼	25	25¼	+¼
54¾	36¾	AbtLab 1.40		2.5	16	3010	u56	54⅝	56	+1¼
25⅞	17⅜	AccoWd .44		2.0	17	110	22¼	21⅞	22¼	
18½	13½	AcmeC .40		2.8		130	14⅞	14⅛	14⅛	−⅛
10½	7⅜	AcmeE .32b		4.0	10	11	8	8	8	
17½	15	AdaEx 1.92e		11.		35	17⅜	17¼	17¼	
20	11⅞	AdmMl .32		2.1	6	11	15¼	15⅛	15⅛	−⅛
18⅛	8⅝	AdvSys .53t		5.0	17	42	10¾	10½	10½	−⅛
41⅛	25⅛	AMD			11	4911	26½	25⅝	26⅛	+¼
12¾	6⅞	Advest .12		1.4		241	8⅝	8⅝	8⅝	−¼
14⅝	8	Aerflex			12	87	13¼	13	13⅛	
48⅝	27¼	AetnLf 2.64		5.7	34	2817	46⅜	45⅝	46⅜	+⅜
57¾	52⅜	AetL pf5.83e		10.		509	56⅜	56⅛	56¼	−¼
60	17⅞	Ahmns 1.20		3.4	14	1795	35½	33⅞	35⅜	+¾
8¾	2½	Aileen			23	10	3	3	3	
55½	36⅝	AirPrd 1.50		2.3	12	141	52⅜	32	52¼	−¼
24⅝	13	AlrbFrt .60		2.0	12	60	22	21⅜	21¾	
[illegible]										

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅞	ADI n			26	32	5	4⅞	4⅞	−¼
17⅞	8¼	AL Lab	.20	1.2	15	127	17½	17⅜	17⅜	−¼
22⅝	12	AMC s	.12	.6	15	5	19	19	19	
5⅞	2⅝	AM Intl				3219	4½	4⅛	4½	+⅜
84¾	59	ATT Fd	5.07a	6.0		49	u84⅞	84½	84¾	+⅛
9	2⅛	AcmePr				2	2⅞	2⅞	2⅞	−⅜
13⅝	9⅛	AcmeU	.32	3.1	20	43	10⅜	10	10¼	+⅛
10¼	9¾	Action			32	11	10¾	10⅝	10¾	+⅛
6⅞	3	Acton				26	3⅝	3½	3⅝	+⅛
3⅝	1⅛	AdmRs			8	22	2¼	2⅛	2⅛	+⅛
30¼	17⅛	AdRusl	.14	.5	20	10	29	28⅝	28⅝	−⅛
22	15	Adobe	.28	1.6	12	18	18	17⅞	17⅞	−⅛
8⅝	4⅝	Aeronc			11	66	4⅞	4⅝	4⅝	−⅛
47⅞	26	AffPb s	.60	1.2	22	162	u50	47¾	49½	+2¼
9¾	5¾	AirExp				49	6¼	6	6¼	+⅛
10	5⅞	AlrCal			14	14	9⅝	9⅝	9⅝	
12¼	9¾	ArCal pf				175	12¼	11⅞	12⅛	
4¾	1	Alamco			28	80	1⅛	1	1⅛	
101	65½	Almito s			9	18	93	92½	92½	−¾
6⅞	6¾	AlbaW			35	13	7½	7⅜	7⅜	
3½	2	AlnTre				6	2⅜	2⅜	2⅜	−¼
6⅛	5⅜	Aloha				6	6¾	6¾	6¾	
19	9½	Alphain	.05	.4	25	190	13⅛	12⅞	13	−⅛
1	9-16	Altex				12	¾	¾	¾	
5-19	⅛	Altex wt				5	⅛	⅛	⅛	+1-16
28⅛	11	AlzaCp			46	57	25½	25	25⅛	−⅜
18⅝	9½	AmdahL	.20	1.5	17	497	13⅝	13½	13½	−⅛
15⅞	6½	Amedco	.08	1.1		4	7	7	7	−⅛
11⅛	4⅞	AmBilt	.15	1.3	0	64	11⅛	10½	11⅛	+⅜
7¾	4	AmCap			17	115	s	7⅞	7⅞	7⅞
44⅞	33⅞	AContrl	1	2.3	16	3	44	44	44	
38¾	12¼	AExp wt				420	38⅝	38¼	38½	+¼
6	5⅜	AFruc A			13	z100	6⅛	6⅞	6⅞	
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅛	6⅞	Camco	.32	1.9	11	42	[illegible]			
3¼	1⅞	Campnl				2	[illegible]			
22½	13¼	CMarc g	.30			20	[illegible]			
23¾	18½	CdnOcc	.64			20	[illegible]			
35¾	25⅞	CWine			6	24	[illegible]			
13	4½	Cardiff				21	[illegible]			
4⅛	1⅜	Cardll				20	[illegible]			
13¼	7½	CareB			10	0	[illegible]			
13½	7½	CareA	.10	.8	17	1	[illegible]			
11⅝	5⅛	CareEn			17	10	[illegible]			
44¾	36	CaroP pf	5	11.		z350	[illegible]			
0⅝	3½	CasbladSt		18.	9	1	[illegible]			
32⅞	25⅝	CasFd	2.20a	7.1		8	[illegible]			
7¾	3¼	Castind				5	[illegible]			
1⅝	⅞	Centani			38	7	[illegible]			
2⅞	1⅜	Centl pf				8	[illegible]			
28¼	20⅝	CenM pf	3.50	12.		y310	[illegible]			
14⅛	9¾	CentSe	1.60e	12.		4	[illegible]			
9⅝	6⅛	Cetec	.20	3.2	8	43	[illegible]			
4⅝	2⅛	ChmpH			13	206	[illegible]			
17¼	12⅞	ChmpP	.72	5.3	40	88	[illegible]			
27	15	ChMA s	.18	.8	20	239	[illegible]			
21¼	14¾	ChRv	1.20e	6.5	6	1	[illegible]			
13¼	3¼	ChDv g				9	[illegible]			
42¾	38	ChtD pf	4.75			z100	[illegible]			
26¼	10¼	Chfm s	.17	.8	29	64	[illegible]			
30⅞	11⅝	Citadel			10	153	[illegible]			
27⅞	18⅝	CitFst	1b	0.7	0	7	[illegible]			
24⅛	17	CtyGas	1.20	5.0	11	1	[illegible]			
42⅛	28⅞	Clarml	1.93e	4.9		4	[illegible]			
12⅝	6¾	ClarkC	.28e	2.9	11	2	[illegible]			
22⅛	10⅞	Clopays	.18	.9	11	12	[illegible]			
[illegible]										

[illegible]

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 30

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅞	2⅞	WrldAr				4	4	4	4	
69⅝	49⅞	Wrigly	1.80a	2.6	12	40	68¾	67¼	68⅛	+¼
5¾	3⅛	Wurlitzr				0	4	5⅞	3⅞	
10	10¾	WyleLb	.32	6.0	12	61	11	d10½	10½	−⅛
23⅜	17	Wynns	.60	3.3	7	6	10	17¾	10	
		X Y Z								
50½	33¼	Xerox	3	5.9	21	2269	u50¾	50	50½	+⅜
54⅛	45¼	Xerox pf	5.45	10.		110	53½	53¼	53⅛	+¼
30¼	24	ZaleCp	1.32	4.4	6	19	30⅝	30	30	
23¼	11¾	Zapata	.84	7.3	23	261	11⅞	d11½	11½	−⅜
56	23	Zayre s	.48	.0	17	625	53	51	52¼	+1
30	16⅛	ZenithE			9	980	22¾	22⅝	22½	−¼
21⅞	14⅞	Zero s	.32	1.7	16	62	18¾	18⅝	18⅝	
34⅞	22	Zurnin	1.32	3.0	12	545	u35¼	34½	34¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

June 4	Price Sch%	+ or —
Creditanstalt	358	+1
Goesser	530	......
Interunfall	1,460	+40
Laenderbank	320	+8
Perlmooser	595	+8
Steyr-Daimler	189	......
Veitscher Mag	667	+17

BELGIUM/LUXEMBOURG

June 4	Price Frs.	+ or —
B.B.L.	1,950	......
Banq. Int. A. Lux	6,080	......
Bekaert B.	6,100	+100
Ciment CBR	2,500	—180
Cockerill	238	—2
Delhaize	6,800	+100
EBES	3,096	+23
Electrobel	8,650	—220
Fabrique Nat.	1,278	......
GB Inno BM	5,700	+80
GBL (Brux)	6,000	—35
Gevaert	3,950	......
Hoboken	6,600	—110
Intercom	2,305	+20
Kredietbank	2,100	......
Pan Hldgs.	10,950	......
Petrofina	5,990	—150
Royale Belge	19,000	+25
Soc. Gen. Banq.	3,400	+50
Soc. Gen. Belge	2,000	—8
Sofina	7,250	+70
Solvay	4,500	+70
Stanwick Intl.	1,600	......
Traction el.	4,100	—960
UCB	5,480	......
Wagon Lits	5,850	+20

DENMARK

June 4	Price Knr %	+ or —
Andelsbanken	297	......
Baltic Skand	870	+5
CopHandelsbank	280	+1
D. Sukkerfab.	505	+5
Danske Bank	306	+2
De Danske Luft.	1,165	......
East Asiatic	249	—5
Forenede Brygg.	823	......
Forenede Damp.	140	+1
GNT Hldg	406	......
I.S.S.B.	499	+19
Jyske Bank	636	......
Novo Ind	1,595	+8
Privatbanken	275	+1
Provinsbanken	349	+1
Smidth (F)	251	+9
Sophus Berend	1,070	—5
Superfos	438	—1

FRANCE

June 4	Price Frs.	+ or —
Emprunt 4½% 1973	1,833	+8
Emprunt 7% 1973	6,540	+20
Accor	298.8	—1.2
Air Liquide	682	—6
BIC	680	+20
Bongrain	6,090	+40
Bouygues	860	......
BSN Gervais	6,560	+55
CIT-Alcatel	1,326	—91
Carrefour	6,636	+16
Club Mediter'n	390xc	—3
Cie Bancaire	649xc	+4
Cofimeg	663.4	+0.9
Damart	2,230	—50
Darty	1,430	—6
Dumez S.A.	709	......
Eaux (Cie Gen)	705	......
Elf-Aquitaine	220	—3
Essilor	3,604	+4
Gen. Occidentale	747	+1
Imetal	126.9	—1.6
Lafarge Coppee	678	+1
L'Oreal	9,788	+25
Legrand	2,394	+34
Maisons Phenix	258	—5
Matra S.A.	1,940	+10
Michelin B	1,050	—20
Midi (Cie)	6,680	+15
Moet-Hennessy	2,018	+19
Moulinex	97.3	—0.7
Nord Est	91	—1.3
Pernod Ricard	787	+10
Perrier	650	—7
Petroles Fra.	269	—4
Peugeot S.A.	564	—1
Printempt Aus	290	+4.9
Radiotech	285	—1.5
Redoute	1,380	—20
Roussel-Uclaf	1,670	—15
Selimeg	358	—1
Skis Rossignol	1,805xc	—17
Telemech Elect.	6,615	—40
Thomson CSF	657	+10
Valeo	265	+8

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

June 4	Price Dm.	+ or —
AEG-Telef.	127	+0.6
Allianz Vers	1261xr	—7
BASF	220.1	—0.8
Bayer	229	—1.5
Bayer-Hypo	349	—4
Bayer-Verein	376 xd	+6
BHF Bank	626	—3
BMW	380	—4
Brown Boveri	217.5	—5.7
Commerzbank	209	—1.8
Cont'l. Gummi	141.5	—1
Daimler-Benz	813	—19
Degussa	343	—3
D'sche Babcock	185	—5
Deutsche Bank	538 xd	—10
Dresdner Bank	335.5xd	—2.5
GHH	149	—4
Hochtief	555	+14
Hoechst	957.5	—22
Hoesch Werke	109.6	—1.1
Holzmann (P)	485	—10
Horten	174	—3
Hussel	284	—2
Karstadt	228	—4
Kaufhof	224.5	—4.5
KHD	256	—4
Kloeckner	69.5	—0.8
Linde	459	+2
Lufthansa	193.5	—1.5
MAN	160	—3
Mannesmann	171	—4.8
Mercedes Hld.	715	—22.5
Metallgesel	252.5	—2
Muench Rueck	1,580	+100
Nixdorf	861	—4
Porsche	1640	+9
Preussag	272	—4.6
Rhein West Elect	167.3	—0.3
Rosenthal	259.8	+0.3
Schering	470.8	—1
Siemens	562.6	—6
Thyssen	105.5	—1.8
Varta	622	—4
Veba	124.1	—0.8
V.E.W.	134	—1
Verein-West	325	......
Volkswagen	659.2	+5.4

ITALY

June 4	Price Lire	+ or —
Banco Com'le	16,400	—60
Bastogi-IRBS	216	+0.6
B.I-invest	5,625	—16
Centrale	3,260	+21
Credito Varesino	4,030	—20
Fiat	3,145	+18
Finsider	70.9	......
Generali Assicur.	46,220	—130
Italcementi	91,500	+250
La Rinascente	785	......
Montedison	1,660	+18
Olivetti	6,460	—36
Pirelli Co.	4,160	+20
Pirelli Spa	2,511	—28
Snia BPD	6,189	+6
Toro Assic.	16,480	+330
do Pref	10,601	+221

NETHERLANDS

June 4	Price Fls	+ or —
ACF Holding	205	—1.3
AEGON	163.9	—0.6
Ahold	297	—0.6
AKZO	108.6	+0.6
ABN	446.6	—3.6
AMEV	248	—0.8
AMRO	80.6	—1.2
Bredero Cert	176	—0.6
Bos Kalis Westm.	19	+0.5
Buehrmann-Tet.	83.5	—0.8
Calland Hldgs.	83.5	+1.5
Dordtsche Pet'm	178.7	+0.8
Elsevier NDU	112.4	+0.4
Fokker	163.6	—1.7
Gist Brocades	186	—0.8
Heineken	142.4	+0.6
Hoogovens	60.7	—0.3
Int Mueller	48	+0.4
KLM	61.7	—0.7
Naarden	46	......
Nat Ned Cert	66.3	—0.2
Ned M'd Bank	126	+1
Nedlloyd	164	—0.5
Oce Grinten	326.5	......
Ommeren (Van)	99.2	—0.3
Pakhoed	63	+0.5
Philips	56.3	—0.2
Robeco	74.6	+0.5
Rodamco	136.5	—0.5
Rolinco	68.0	+0.3
Rorento	46	+0.1
Royal Dutch	801	+8.8
Unilever	345.5	—1.8
VMF Stork	201	—1.2
VNU	205	—6.6
West Utr Bank	105.6	—0.3

NORWAY

June 4	Price Kroner	+ or —
Bergens Bank	138.5	......
Borregaard	430	—6.6
Christiania Bank	138.5	+0.5
Den Norske Creditbank	247	+8
Elkem	146	......
Kvaerner	169.6	+9.2
Norsk Data	347.5xc	—7.5
Norsk Hydro	108	—6
Storebrand	285.6	—3.5

SPAIN

June 4	Price Pts%	+ or —
Bco Bilbao	345	......
Bco Central	519	......
Bco Exterior	812	+1
Bco Hispano	162	+9
Bco Popular	356	—8
Bco Santander	343	+1
Dragados	155	......
Hidrola	84.2	+1.2
Iberduero	95	+1
Petroleos	149	+0.8
Telefonica	192.2	+0.2

SWEDEN

June 4	Price Kronor	+ or —
AGA	363	......
Alfa-Laval	176	—3
A-EA (Free)	832	......
Astra (Free)	430	—5
Atlas Copco	106	—5
Cardo (Free)	330	—7
Cellulosa	117	+1
Electrolux B	271	—3
Ericsson	301	—2
Esselte	676	......
Mo och Domsjo	102 xc	+6
Pharmacia	186	—9
Saab Scania Free	400	—20
Sandvik	365	—9
Skandia	986	—1
Skan Enskilda	46	+0.5
SKF	205	—3
St Kopparbergs	156	—8
Sven Handelsbn.	145	—4
Swedish Match	122	—1
Volvo B (Free)	225	—4

SWITZERLAND

June 4	Price Frs.	+ or —
Alusuisse	803	......
Bank Leu	3,800	+25
Brown Boveri	1,680	+80
Ciba Geigy	8,920	—10
do. (Part Certs)	2,530	......
Credit Suisse	2,605	+5
Elektrowatt	2,780	+10
Fischer (Geo.)	852	+97
Hoff-Roche PtCts	61,000	+1250
Hoff-Roche 1/10	9,075	+76
Jacobs Suchard	6,600xr	+50
Jelmoli	2,250	+75
Landis & Gyr	1,740	......
Nestle	6,816	+16
Oer-Buehrle	1,470	......
Pirelli	865	—3
Sandoz (Br)	8,250	......
Sandoz (PtCts)	1,890	—10
Schindler (PtCts)	820	—10
Sika	1,940	+10
Surveillance	4,030	+30
Swissair	1,185	+0
Swiss Bank	406	—1
Swiss Reinsce	12,000	+50
Swiss Volksbk	1,600	—0
Union Bank	3,900	+10
Winterthur	4,400	+50
Zurich Ins	24,950	+60

AUSTRALIA

June 4	Price Aust $	+ or —
ANZ Group	4.38	—0.04
Alliance Oil Dev	1.10	......
Ampol Pet	1.84	......
Ashton	0.98	—0.02
Aust. Cons. Ind.	2.45	......
Aust. Guarantee	2.45	......
Aust. Nat. Inds	9.52	+0.05
APM	2.66	—0.55
Bell Group	7.2	—0.1
Bell Res	7.1	—0.2
Bond Corp Hldgs	1.20	......
Boral	6.20	—0.08
Bougainville	2.02	—0.18
Brambles Inds	3.65	—0.03
Bridge Oil	9.35	—0.05
B.H. Prop	6.16	—0.15
CRA	6.04	—0.16
CSR	9.69	—0.02
Castlemaine Tys	8.5	+0.05
Coles (G.J.)	3.68	—0.04
Comalco "A"	9.04	—0.04
Consolidated Pet	0.40	—0.02
Costain Aust.	1.65	......
Dunlop Olympic	6.25	+0.02
Elders IXL	2.90	—0.02
Energ Res	1.32	......

AUSTRALIA (continued)

June 4	Price Aust $	+ or —
Gen. Prop. Trust	2.3	—0.02
Hardie (James)	3.13	—0.07
Hartogen Energy	3.25	—0.12
Herald W'y'Times	4.60	......
ICI Aust	1.95	—0.05
Jimberlana F.P.	0.29	......
Kia Ora Gold	0.14	......
Lend Lease	6.84	+0.04
MIM	2.85	—0.06
Mayne Nickless	3.12	......
Myer Emporium	1.91	—0.03
Nat. Aust. Bank	4.38	+0.02
News	7.7xc	......
Nicholas Kiwi	1.63	......
North Bkn Hill	2.33	—0.05
Oakbridge	0.94	—0.06
Pancont'l	1.89	—0.18
Pioneer Conc.	1.69	—0.01
Poseidon	3.65	—0.15
Queensland Coal	1.89	—0.05
Reckitt & Coln.	3.6	—0.02
Repco	1.91	+0.01
Santos	6.66	—0.04
Smith (Howard)	4.76	......
Thos. Natwide	1.94	+0.02
Tooth	6.95	......
Vamgas	4.18	......
Western Mining	0.8	—0.18
Westpac Bank	4.3	......
Woodside Petrol	1.60	......
Woolworths	6.8	......
Wormald Intl	5.6	—0.1

HONG KONG

June 4	Price H.K.$	+ or —
Bank East Asia	26.5	—0.5
Cheung Kong	17.1	......
China Light	16.1	......
Evergo	1.0	+0.01
Hang Seng Bank	56.5	+0.5
HK Electric	6.45	......
HK Kowloon Wh.	8.75	......
HK Land	3.95	—0.05
HK Shanghai Bk.	6.18	......
HK Telephone	87.0	+1.5
Hutchison Wpa	26.4	+0.1
Jardine Math	11.7	+0.2
New World Dev.	7.1	—0.05
Orient O'seas	6.18	......
Osean Trust Bk.	3.22	+0.17
SHK Props	12.5	—0.1
Shell Elect.	1.32	......
Swire Pac A	23.6	+0.1
TV—B	7.45	+0.2
Wheel'k Mard A	7.3	......
Wheel'k M'time	1.10	......
World Int. Hldns.	2.17	—0.05

JAPAN

June 4	Price Yen	+ or —
Ajinomoto	1,110	......
Alps Electric	1,810	+60
Amada	899	+29
Asahi Chem	1,060	+70
Asahi Glass	880	+19
Bridgestone	620	+5
Canon	1,110	+10
Casio Comp	1,600	+60
Chugai Pharm	1,050	—10
Citizen	466	+11
Daiei	720	+6
Dai Nippon Ptg	1,030	......
Daiwa House	666	—2
Ebara	415	—3
Eisai	1,320	—20
Fanuc	7900xc	—10
Fuji Bank	1,650	+10
Fuji Film	1,780	+40
Fujisawa	960	—8
Fujitsu	1,050	+10
Green Cross	2,480	+60
Hasegawa	437	—5
Heiwa Real Est.	236	+16
Hitachi	718	+9
Hitachi Credit	1,090	+10
Honda	1,280	......
House Food	730	+5
Hoya	1,860	+60
Itoh (C)	410	+3
Ito. Yokado	6,590	—10
Iwatsu	816	+67
JACCS	631	......
JAL	6,980	+80
Jusco	690	+3
Kajima	324	+5
Kao Soap	832	+19
Kashiyama	687	+11
Kirin	797	+2
Kokuyo	981	—14
Komatsu	450	+0
Konishiroku	676	—10
Kubota	529	+1
Kumagai	645	......
Kyoto	4,260	......
Maeda Const.	818	+18
Makino Milling	985	+25
Makita	992	+9
Marubeni	345	+2
Marudai	816	—2
Marui	1,190	......
MEI	1,400	+10
M'ta Elec Works	618	+98
M'bishi Bank	1,580	—20
M'bishi	634	......
M'bishi Elect	379	—0
M'bishi Estate	796	—4

JAPAN (continued)

June 4	Price Yen	+ or —
MHI	260	+1
Mitsui	356	—3
Mitsui Estate	828	—15
Mitsukoshi	608	+6
NGK Insulators	816	+10
Nihon Cement	883	+6
Nippon Denso	1,240	—10
Nippon Elect	1,030	+31
Nippon Express	416	+4
Nippon Gakki	1,400	+20
Nippon Kokan	137	+1
Nippon Oil	850	+14
Nippon Seiko	611	+7
Nippon Shimpan	616	—4
Nippon Steel	148	—1
Nippon Suisan	356	—3
NTV	10,950	+450
Nippon Yusen	282	—1
Nissan Motor	607	—6
Nisshin Flour	515	......
Nisshin Steel	164	—4
Nomura	1,140	+20
Olympus	1,110	+10
Orient Leasing	6,890	+40
Pioneer	1,790	+90
Renown	698	+7
Ricoh	890	+5
Sankyo	1,340	+40
Sanyo Elect.	414	+4
Sapporo	482	+3
Sekisui Prefab	798	—1
Seven-Eleven	8,900	+110
Sharp	889	+11
Shimadzu	700	......
Shionogi	625	—8
Shiseido	1,190	+30
Sony	4,000	+60
Stanley	888	+5
S'tomo Bank	1,810	—20
S'tomo Elect	766	+16
S'tomo Marine	709	+36
S'tomo Metal	147	—3
Taihei Dengyo	500	......
Taisei Corp.	248	+6
Taisho Pharm	1,220	+110
Takeda	870	+10
TDK	4,450	+100
Teijin	445	—6
Teikoku	760	—8
Tokio Marine	946	+19
TBS	900	+91
Tokyo Elect Pwr	2,090	+20
Tokyo Gas	226	+5
Tokyo Sanyo	652	—3
Tokyo Style	890	+9
Tokyu Corp	488	+0
Toppan Print	830	—10
Toray	470	+10
Toshiba Elect	655	—3
TOTO	745	—6
Toyo Seikan	1,020	+55
Toyota Motor	1,200	—10
Victor	1,750	+50
Wacoal	705	+3
Yamaha	722	+0
Yamanouchi	2,910	......
Yamazaki	754	+14
Yasuda Fire	550	+16
Yokogawa Bdge.	468	—1

SINGAPORE

June 4	Price $	+ or —
Boustead Hldgs.	1.66	—0.01
Cold Storage	2.48	......
DBS	6.16	+0.15
Genting	0.93	+0.22
Haw Par. Bros.	2.66	—0.05
Hong Leong Fin.	6.96	—0.02
Inchcape Bhd.	2.42	......
Keppel Shipyard	1.59	......
Malay Banking	6.20	+0.16
Malay Utd. Ind.	2.64	—0.02
Multi Purpose	0.82	......
OCBC	9.2	—0.15
OUB	3.28	—0.08
Public Bank	1.48	—0.05
Sime Darby	9.05	—0.05
Singapore Press	6.13	......
Straits Trdg.	4.42	—0.02
Tat Lee Bk	6.78	—0.02
UOB	4.62	—0.06

SOUTH AFRICA

June 4	Price Rand	+ or —
Abercom	1.60	......
AE&CI	7.76	—0.25
Allied Tech	61.0	......
Anglo Am Coal	49.5	......
Anglo Am Corp	26.75	+0.25
Anglo Am Gold	177	—1
Barclays Bank	16.8	+0.05
Barlow Rand	19.2	+0.05
Buffels	79.0	—2
CNA Gallo	5	......
Currie Finance	4.0	......
De Beers	10.67	—0.05
Driefontein	49.75	—0.75
FS Geduld	89.5	......
Gold Fields SA	36.25	—0.25
Highveld Steel	0	+0.15
Nedbank	13.8	—0.2
OK Bazaars	15.00	......
Protea Hldgs.	9.90	......
Rembrandt	39.25	......
Rust Plat	16.5	—0.5
Safren	18.26	+0.25
Sage Hldgs.	8.75	—0.25
SA Brews	7.85	......
Smith (AC)	66.5	—0.25
Tongaat Hulet	7.1	+0.1
Unisec	5.65	......

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

BTR	376	+8
Beazer (C.H.)	402	+12
Bio-Isolates	33	+6
Blue Arrow	190	+6
Cable & Wire	575	+25
Davy Corp	106	+6
De La Rue	925	+47
Dee Corp	268	+15
Delta Group	159	+6
Exeter Build	130	+30
French Kier	169	+9
GKN	236	+6
Horizon Travel	113	+6
Intasun Leisure	133	+7
Jaguar	289	+14
Legal & General	725	+22
McCorquodale	170	+10
Norcros	176	+13
Plessey	150	+8
TI	290	+12
Tate & Lyle	480	+10
Tesco	279	+10
Trafalgar House	380	+6

FALLS

Central Norse	403	—30
Common Bros.	43	—5
Egl. Oil & Gas	75	—2
Geers Gross	77	—6
Hanson Trust	230	—7
Pancon Mining	83	—7
Sun (UK) Royalty	195	—20

[illegible]

Continued on Page 36

CANADA

TORONTO
Prices at 2.30pm June 4

[illegible]

MONTREAL
Closing prices June 3

[illegible]

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 31

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Money supply figures boost Gilt-edged and equities
30-share index nears all-time peak

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24
June 17	June 27	June 28	July 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Early caution in London financial markets soon gave way to brighter conditions yesterday. Hopes of an early reduction in clearing bank base rates continued to sustain the market and the eagerly awaited announcement at 2.30 pm of the money supply figures, which proved to be in line with most market estimates, gave a further boost to sentiment.

Tba initial uncertainty reflected an overnight reaction in sterling following the decision by Opec to bring forward the meeting of the full council from July 22 to June 30.

Government stocks opened ¼ to ½ lower after the previous day's sharp improvement which saw tha sale of £600m worth of taplets in first time dealings. Quotations, bowevar, soon reverted to previous closing levels and subsequently improved afresh. Tha announcement at 3.30 pm of fresh Government funding by way of a new tap stock—£800m of Treasury 10 per cent 2004 in £30-paid form et 96½—was generally well received, but tended to dampen enthusiasm. Gains at the longer end of the market were reduced by ½ or so in the late dealings. Final quotations in thia area showed rises of around ¼.

Apart from a minor setback at the opening, selected leading equities made steady progress. Demand, however, was again relatively light, but sufficient to leave the Financial Times Ordinary share index at the day's best with a rise of 9.5 at 1,020.2, only 4.3 off its all-time peak. The interim figures from index constituent Hanson Trust were in the middle of market estimates and failed to generate much interest.

Life insurance shares continued to make progress as investors assessed the Government's proposal to phase out the State earnings-related pension scheme. Oils, in contrast, remained subdued by continuing crude price worries. Takeover speculation was again evident, but not on the scale witnessed over recent weeks.

Insurances strong

Still reflecting hopes that the Government's decision to phase out the State earnings-related pension scheme will lead to an explosion of sales of personal portable pension business, Life Insurances made further impressive progress. Although closing levels were a shade below the best in places, gains still ranged to 28. Pru advanced that much to 708p, while Legal and General put on 22 to 725p and London and Manchester added 16 at 783p. Equity and Law touched 282p before closing 8 dearer on balance at 278p and Pearl appreciated ½ at £12½. Meanwhile, Composites moved higher late with Royals, at 660p, and Sun Alliance, at 470p, up 13 apiece. Commercial Union added 5 at 226p and General Acident improved 10 to 605p. Among Lloyds Brokers, Hogg Robinson, depressed last week by the aborted merger talks with C. E. Heath, rallied 6 to 266p; Heath advanced 15 to 648p.

Once again, clearing banks contributed to the firm general trend. Lloyds rose 10 to 590p and Barclays gained 5 to 400p as did Midland to 365p.

Leading Breweries displayed modest gains across the board, although dealers were quick to dismiss the April beer production figures—5.6 per cent up on the same month in 1984—as a contributory factor. Whitbread A, 229p, and Bass, 573p, rose 5 apiece.

Leading Buildings continued to meet with selective demand. Blue Circle firmed 5 to 537p following the chairman's cautiously optimistic statement at the annual meeting. Secondary issues continued to feature French Kier, up 9 more at 169p, on speculation about a possible bid from Trafalgar House which recently acquired a 14.9 per cent stake in the company from AMEC. The last-named were a firm market at 266p, up 4. Fresh demand lifted Newarthill 20 to 690p in a restricted market. News of Kent Holdings' 140p per share tender offer to increase its stake to 29.9 per cent lifted Exeter Building 30 to 130p. Buying ahead of tomorrow's half-timer left Nottingham Brick 6 higher at 158p, while Trent Holdings continued to attract buying in the wake of press comment and firmed 5 afresh to 97p.

Plysu touched 247p following the good annual results and proposed one-for-two scrip issue before drifting off to close unchanged at 242p. Revived demand left British Tar Products 5 better at 115p. Amersham International continued to respond to a broker's circular with a fresh rise of 5 to 370p.

Stores attracted buyers, although actual business fell well short of the levels transacted recently. Debenhams hardened 3 more to a new high of 400p, while hostile bidder Burton were unchanged at 480p. Gussies A advanced 7 to 820p, and Marks and Spencer returned to favour with a rise of 5 at 142p. Elsewhere, Body Shop International were volatile: down to 823p in initial trading, the shares quickly attracted fresh support and attained a new peak of 858p before settling 5 up on balance at 848p. Time Products encountered liquidation of bull positions following the annual profits but finished above the worst at 43½p, down 2½ on the session. Mail-orders continued to benefit from a combination of revived takeover prospects and favourable press comment. Freemans rose 4 to 248p, after 250p, while Grattan advanced 6 to 250p. Recent publicity given to a broker's circular stimulated fresh support of Dixons, 9 up for a two-day gain of 22 at 724p.

Cable & Wireless up

Cable and Wireless returned to prominence in the Electrical sector, rising 25 to 575p on news of the telecommunications services agreement with A. T. and T. Plessey recovered 6 more at 150p, while Racal put on 4 at 198p and British Telecom hardned 3 to 199p. Recent speculative favourite Thorn EMI were volatile, falling to 465p on profit-taking before closing a net 6 easier on the day at 472p.

Takeover gossip continued to surround TI which advanced 12 more to 390p. Elsewhere in Engineerings, GKN attracted renewed support at 236p, up 8, while Davy reflected revived speculative buying with a fresh rise of 6 to 108p. Richards (Leicester) jumped 8 to 53p as did Haden, to 370p. Delta gained 6 to 156p. APV rose 15 to 300p in response to Press comment, but Spear and Jackson dipped 6 to 160p as bid hopes faded. Awaiting further news of the bid approach, United Wire succumbed to profit-taking and dropped 15 tol 95p.

Food Retailers made an impressive showing. Dee Corporation gained 15 to 266p in response to a couple of brokers' circulars. Buying ahead of next Wednesday's annual results lifted Tesco 10 to 270p, after 273p. Associated Dairies rose 6 more to 166p, and Kwik Save improved the same amount to 216p. Old takeover favourite Hilards moved up 7 to 390p in a restricted market. Elsewhere, renewed demand left Tate and Lyle 10 higher at 408p and Cadbury Schweppes 3 dearer at 161p. Recently-dull Bio-Isolates found support in the wake of the £840,000 rights issue proposal and put on 6 to 33p.

Mount Charlotte continued to attracted buyers ahead of the interim results due shortly and firmed 2 more to 96p, while Stakis, a subdued market recently, picked up 6 to 65p.

Hanson Trust easier

Interim profits below recent optimistic forecasts led to profit-taking in Hanson Trust which closed 7 down at 230p. Among other miscellaneous industrial leaders, Reed International were active ahead of today's preliminary statement, sliding to 617p at one stage before rallying to finish only a penny cheaper at 627p. Glaxo, on the other hand, closed ½ better at a new peak for the year of £13 and BTR added 8 at 376p. Elsewhere, Trafalgar House, boosted by a considerable amount of traded option business, rose 6 to 380p. De La Rue jumped 47 to 925p in reply to the impressive annual figures. Record preliminary profits lifted Norcros 13 to 176p. Appledore continued to draw strength from the recent favourable interim results, closing 15 higher at 310p, after 315p, while NMW Computers revived at 350p, up 25p. Demand ahead of tomorrow's first-half results left Blue Arrow 8 dearer at 190p. Widney rose 3½ to 40p following speculative buying. Gieves firmed 4 to 95p on the results, but Sangers softened 2 to 71p, after 67p, despite news of the profits recovery. Australian concern Elders IXL, reflecting domestic market influences, fell 15 to 150p.

Recent reports of increased holiday bookings prompted a revival of buying interest in travel issues, Intasun rising 7 to 133p and Horizon gaining 6 to 113p.

Jaguar rose 11 to 285p, partly reflecting substantial hedging operations in the Traded Option market.

Publishers featured renewed speculative support for East Midland Allied Press A which closed 12 to the good at 140p; the preliminary results are expected next Tuesday. Among Paper/Printings, McCorquodale spurted to 181p before settling 10 higher on balance at 170p following interim profits well in excess of most market expectations. Waverley Cameron improved 10 to 113p. Advertising agencies continued to feature Geers Gross 6 off at 77p—the shares have now fallen 51 since last Friday's profits warning.

Leading Properties closed with little alteration, but secondary issues were again selectively firm. C. H. Beazer continued to attract support and rose 12 for a two-day gain of 27 to 402p, while USM-quoted Top Estates firmed 8 more to 183p.

Bats hardened 2 to 318p, sentiment helped by a sizeable overnight turnover in the U.S.

Oils lower

Sentiment in oils was shaken by news that Opec has called an emergency session of its full ministerial council for June 30: the next full meeting of ministers was originally scheduled for July 22. Monday's late slide in crude oil spot prices added to the unease in the sector and dealers responded by marking leading issues lower. Little selling pressure ensued, but closing levels were generally the day's lowest with falls ranging from between 3 to 7, as in BP, 527p, Britoil, 225p, Burmah, 279p, LASMO, 280p, and Shell 690p.

Secondary stocks were particularly weak, especially the U.S. exploration groups and Irish issues. Among the latter, Eglinton Oil and Gas dropped 8 to 75p and Bryson fell 7 to 138p. Falcon Resources continued to lose ground and dipped to 83p before recovering to close 2 off at 88p. Great Western Resources and Firstland Oil and Gas lost 10 apiece at 230p and 210p respectively.

Australian golds weak

Australian mining markets were in full retreat from the outset of trading. Persistently sold over the past eight trading sessions the sector was marked down sharply at the opening following news, announced overnight, that the Federal Government has proposed to tax earnings on gold mining. The news prompted heavy selling in domestic markets overnight and this continued in London trading. Golds were particularly vulnerable but the pressure subsequently extended to the leading diversified mining groups which also posted substantial losses. In Golds Central Norseman dropped 30 to 403p, while Gold Mines of Kalgoorlie fell 15 more to 455p, Poseidon 6 to 215p and North Kalgurli 3 to 40p. Sons of Gwalia gave up 5 to 97p, Whim Creek 12 to 144p and Carr Boyd 2 to 72p. Among the leaders Western Mining lost 7 to 197p, CRA 6 to a year's low of 310p and MIM Holdings dipped 5 to 147p.

South African Golds moved narrowly throughout the day but generally closed with marginal falls on balance, reflecting the lack of progress by the bullion price.

Interest in the sector was mainly directed towards Kloof and Gold Fields of South Africa which returned from suspension following publication of the details of the new gold mining operation. Kloof were initially quoted at £31 but subsequent selling from South Africa left the share at £30⅝. Gold Fields of South Africa were little changed at £13⅞. Anglo American Corporation's record earnings and increased dividend inspired early support from Johannesburg but interest faded and the shares eased late to close unaltered on balance at £11⅜. "Amcoal" dipped a point to £19 despite the chairman's forecast of increased profits in the current year.

De Beers eased a few pence to 417p in the wake of reports of a wages dispute at the company's Namaqualand Mines Division, while Minorco held at 680p following confirmation that the company has sold 10m shares in U.S. investment house Phibro Salomon to raise in excess of $400m.

Among UK financials Consolidated Gold Fields attracted profit-taking and fell away to close 15 off at 548p. Rio Tinto-Zinc reflected the recent declines in base-metal prices and ended the day 9 off at 581p.

Demand for Traded Options improved dramatically with 11,642 contracts struck — the highest since mid-March. British Telecom were particularly active; calls done amounted to 1,549, the August 200 being favoured with 730 trades struck. BT also attracted 1,899 puts, 1,055 in the November 180's. Hanson Trust recorded 766 calls and 93 puts following the interim figures. Trusthouse Forte and Tesco attracted 462 and 615 calls respectively. A lively two-way business was again noted in the short Gilt option contract which contributed 301 calls and 304 puts.

FINANCIAL TIMES STOCK INDICES

	June 4	June 3	May 31	May 30	May 29	May 28	year ago
Government Secs.	82.00	81.92	81.30	81.24	81.02	80.87	79.31
Fixed Interest	86.32	86.26	86.06	86.02	85.91	85.84	85.11
Ordinary	1020.2	1010.7	1002.3	1004.3	999.1	1006.6	840.1
Gold Mines	430.2	450.7	431.0	461.4	463.0	433.4	699.3
Ord. Div. Yield	4.55	4.58	4.62	4.31	4.66	4.59	4.70
Earnings, Yld.% (full)	11.48	11.52	11.60	11.32	11.65	11.54	10.92
P/E Ratio (net) (*)	10.69	10.80	10.52	10.54	10.48	10.57	11.01
Total bargains (Est.)	12,245	25,216	24,628	22,543	22,273	25,835	20,770
Equity turnover £m.	—	308.65	410.57	332.60	388.60	545.70	298.69
Equity bargains	—	16,253	23,622	20,661	12,820	18,332	18,025
Shares traded (mln)	—	166.6	226.0	176.6	123.9	154.0	152.7

10 am 1010.0. 11 am 1012.3. Noon 1013.3. 1 pm 1013.7.
2 pm 1013.3. 3 pm 1017.6.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.34.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.38 (4/6)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.3 (22/1)	928.7 (3/1)	1024.3 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	439.5 (25/1)	734.7 (15/2/83)	43.3 (26/10/71)

	June 3	May 31
Daily Gilt Edged Bargains	178.0	156.4
Equities Bargains	124.6	155.2
Equities Value	223.9	330.1
5 day Average Gilt Edged Bargains	139.0	137.2
Equities Bargains	131.2	154.7
Equities Value	728.7	773.8

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues June 4 1985; Mon June 3; Fri May 31; Thur May 30; Year ago (approx.)

[illegible]

FIXED INTEREST

[illegible]

1 Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (148)

BRITISH FUNDS (19)
INT. BK. & O'SEAS GOVT. STLG. ISS. (3)
CORPORATION LOANS (2)
COM'WEALTH & AFRICAN LOANS (2)
LOANS (2)
BANKS (4)
BREWERS (2)
BUILDINGS (6)
CHEMICALS (3)
STORES (15)
ELECTRICALS (5)
ENGINEERING (14)
FOODS (12)
INDUSTRIALS (26)
INSURANCE (7)
LEISURE (1)
MOTORS (5)
PROPERTY (8)
TEXTILES (3)
TRUSTS (6)
OILS (1)

NEW LOWS (53)

AMERICANS (6)
Bethlehem Steel, Gillette, City Fed Fin. Corp., Louisiana Land, Damson Oil, Pall Corp.

CANADIANS (1)
Rio Algom

BANKS (1)
Cths. Bus. Lehsing.

ELECTRICALS (5)
CPS Computer, Grosvenor Group, Circaprint, Wordplex, Dubilier

INDUSTRIALS (4)
Alfa-Laval AB B, Fletcher Challenge, Comb'd Technology, Swedish Match B

PAPER (4)
Brunning, Chapman Inds., Do. R/R, Geers Gross

PROPERTY (2)
Capital & Counties, Wingate Prop. Inv.

SHIPPING (2)
Lon. O'seas Frghtrs., Lyle Shipping Pfd.

TEXTILES (1)
Burmatex

TRUSTS (7)
F. & C. Pacific, GBC Capital, Fledgeling Japan, Japan Assets 4½pc Cnv. Ln. 1994, Fleming Japanese, Fleming Tech. Inv., Abingworth

OILS (7)
Claremont Pet., New Crt. Nat. Rsrces, Crusader Oil, New London Oil, Lon. Amer. Energy, Santos, Marinex Petroleum

MINES (13)
Australis Mining, Kalbara Minerals, Black Hill Minerals, Kitchener Mining, Bougainville, MIM Hldgs., CRA, Minoil Securities, Cultus Pacific, Malaysia Mining, Gt. Eastern Mines, Pengkalen Tin, Haoma N.W.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 16,790

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3).

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7

For rate indications see end of Share Information Service

Money was given for the call of Meyer International, Petranol, Hogg Robinson, Falcon Resources, Eglinton Oil and Gas, Sangers, Riley Leisure, Sekers International, Combined Technologies, British Vending Industries, J. Rothschild, Vinten, Bats, Telemetrix and Western Mining. No puts were reported, but a double was taken out in Petranol.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Body Shop	848	+ 3
De La Rue	925	+47
Eglinton Oil and Gas	73	− 6
Falcon Resources	88	− 2
Hanson Trust	230	− 7
Jaguar	288	+14
Legal and General	725	+22
McCorquodale	170	+10
Reed International	627	− 1
Sangers	71	− 2
Thorn EMI	472	− 9
UKO International	138	− 2

STERLING INDEX

	June 4	Previous
8.30 am	79.9	N/A
9.00 am	80.0	N/A
10.00 am	80.0	N/A
11.00 am	80.0	N/A
Noon	80.0	N/A
1.00 pm	80.0	N/A
2.00 pm	79.9	N/A
3.00 pm	79.8	N/A
4.00 pm	79.7	80.5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	10	41
Corpns. Dom. and Foreign Bonds	29	1	47
Industrials	371	181	906
Fin. and Props.	149	48	352
Oils	11	57	58
Plantations	5	2	10
Mines	29	69	80
Others	102	41	83
Totals	753	408	1,577

LONDON TRADED OPTIONS

[illegible]

June 4 Total contracts 11,642 Calls 7,197 Puts 4,445
*Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	1985 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100⅞	99 1/16	Treas 11½pc 1985	99 31/32	.....	11.52	12.73
99 1/16	97¾	Treas 8¼pcCnv '85	99 1/16	.....	8.83	12.24
101 11/16	99 3/8	Exch. 12¼pc 1985	100 1/16	.....	12.24	11.94
101 1/16	99 3/8	Exch. 11¼pc '86	100	+ 1/16	11.75	11.64
99½	97 1/16	Treas. 10pcCnv 1986	98¾	+ 1/16	10.12	11.51
94⅞	92¼	Treas 3pc 1986	94 1/16	−⅛	3.18	9.36
100	97½	Exch. 10½pc Cv '86	99 1/16	.....	10.60	11.53
101⅞	99¾	Treas 12pc 1986	100 1/32	+ 1/16	11.93	11.42
97 3/16	94¾	Treas 8½pc 1984-86‡‡	97¼xd	.....	8.74	11.29
105 3/16	102 7/16	Exch. 14pc 1986	103	.....	15.59	11.56
92½	87¼	Exch. 2½pc 1986	92½	+ 1/16	2.69	8.02
104 3/16	101¼	Exch. 13¼pc 1987	102½	.....	12.93	11.48
99½	96⅝	Treas 10¼pcCv '87	98¼	.....	10.43	11.38
90⅞	85½	Exch 2½pc 1987	90½	.....	2.77	8.61
99 9/16	96¾	Exch. 10½pc 1987	98⅝	.....	10.65	11.31
93¼	89	Funding 6½pc '85-87‡‡	93⅛	.....	[illegible]	10.41
98½	95½	Treas. 10pc 1987	97 3/8xd	.....	[illegible]	11.39
89¾	84¾	Treas 3pc 1987	89¼	.....	[illegible]	8.69
102 [illegible]	99¾	Treas. 12pc 1987	101¼	−⅛	[illegible]	11.25

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
77	61	Marshall's Universal	62xd		2.0	♦	4.6	♦
86	78	Do. 7½pcCnRedPf £1	84		7½%	—	12.8	—
22	22	Martin-Black	22s		—	—	—	—
£97	£81	♥Mathesons 7¾%	£97		Q7¾%	2.3	10.2	—
435	375	Metal Box £1	410	–3	15.0	3.2	5.2	6.6
170	136	Metal Closures	145		6.7	2.0	6.6	9.1
17	♦	‡Metal Sciences 2½p	13		—	—	—	—
104	73	‡Midland Marts	104s		4.0	1.8	5.5	13.2
83½	68	Mitchell Cotts	72		4.0	1.5	7.9	10.3
230	182	Morgan Crucible	215		8.0	1.6	5.3	14.9
32	22	‡Morris (W) F.A. 20p	27		0.5	♦	2.6	♦
110	91	Moss (Robt.) 10p	102xd		3.0	2.5	4.2	11.3
81	68	Myson Grp 10p	77½		g2.5	3.4	4.6	14.7
410	267	‡NMW Computers	350	+25	6.0	2.7	2.4	21.5
43	34	Nash Inds.	36	–1	2.5	1.5	9.9	8.3
48	24	Neil & Spencer 10p	25		♦	—	—	7.5
44	14½	Newman Inds 10p	43	–1	—	—	—	♦
44	18½	Do. 10pc Cn.Cm.Pf	44xd		10%	—	3.2	—
55	43	Nolton	53		1.1	4.5	3.0	8.9
183	146	Norcros	176	+13	8.6	♦	7.2	♦
63	51	Nu-Swift 5p	52xd		3.0	♦	8.2	♦
95	68	Oakwood Grp	95		4.5	1.4	6.8	(14.0)
226	150	Office & Elect	222xd	+2	7.5	2.4	4.8	12.2
108	83	Oldacre 20p	85		4.0	2.6	6.7	7.5
58	37	‡Optometrics $0.01	54		Q2c	—	2.9	57.4
480	312½	Oriflame £1	480		23.4	1.5	7.0	14.9
18	15	Overstone 12½p	17xd		04.5c	♦	‡	♦
£178	£158	Ozalid 9pc Cnv 87-92	£174		09%	—	5.3	—
185	106	‡PCT Grp 10p	160		4.8	2.9	4.2	9.8
£14	£10¼	PLM 'B' Sk 25	£11½	+¼	Q21.6%	♦	4.6	♦
193	169	PSM Intl	172	–1	5.25	2.5	4.4	11.8
65	50	‡Pacific Sales 10p	55		2.4	2.2	6.2	(8.3)
204	165	Parker Knoll 'A'	196		9.0	2.8	6.6	7.7
375	205	Pauls	362		F13.0	2.5	5.1	15.9
375	287½	Pearson	375	+5	8.5	3.1	3.2	13.0
29	18	Peek Holdings	23		—	—	—	♦
94	85	Peerless	85		6.3	1.4	10.6	8.6
£10¼	297	Pentland 10p	£10		[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
33	5	‡Intervsn Video 10p	H	+1½	0.0	—	—	—
232	198	Juliana's Hldgs 2p	220		1.0	1.8	1.1	[illegible]
268	217	LWT	247		14.4	2.1	8.3	7.5
65	55	Leisuretime Int 10p	58	+1	2.1	9.9	5.2	6.2
162	146	Magnet Ag. M. 10p	162s		8.75	1.5	7.7	14.[illegible]
183	155	‡Media Tech Int 20p	167	–1	g2.58	3.9	2.2	16.[illegible]
200	124	Medminster 10p	188		4.85	2.6	3.7	12.[illegible]
280	175	‡Miss World 10p	245	–5	3.6	4.1	2.1	16.[illegible]
127½	95	Nationwide Leisure	95		3.75	2.5	3.6	8.[illegible]
39	15	‡Norvalo Inv 20c	28		—	—	—	—
24¾	19½	‡Owners Abroad	21½	–½	1.0	♦	6.6	♦
53	38	Photax (Lon.)	46		—	—	—	—
24½	21½	‡P'cdily Radio NV 5p	22	+½	1.87	♦	12.1	♦
90	47	‡Pineapple Dnc St 10p	58		1.5	1.2	4.3	26.[illegible]
460	366	Pleasurama 5p	460	+5	9.2	♦	2.9	♦
119	109	Do. 7pcCvCmRedPf	119		—	—	—	—
96	77½	‡Pres Entertain 50p	89½		2.0	2.1	5.2	21.[illegible]
65	28	‡Radio City 'A' NV	40	–3	5.6	0.9	‡	7.9
55	43	‡Radio Clyde NV	45xd		3.25	2.0	10.3	6.[illegible]
63	37	Riley Leisure 10p	53	+3	0.7	—	‡	—
193	143	Saga Hols. 20p	169	+1	4.0	2.1	3.4	18.[illegible]
£11⅛	540	Samuelson Grp £1	£10	–⅛	19.0	3.6	—	38.[illegible]
42	25	‡Sangers Photo 10p	39xd		2.0	1.1	7.3	17.[illegible]
202	138	‡Scantro 50p	175		3.68	3.8	3.0	52.[illegible]
156	128	Scott. TV 'A' 10p	138		8.8	2.8	9.7	5.[illegible]
508	319	SeaCo Inc $0.125	369	+12	—	—	—	—
15	9	‡SelecTV 10p	10		—	—	—	—
140	28	‡Spectrum 5p	30		2.0	4.8	‡	3.[illegible]
32	23	TSW 5p	26		1.5	2.6	8.2	6.[illegible]
142	108	TVS N/Vtg 10p	122		6.0	2.2	5.9	9.[illegible]
295	132	‡Television Svcs 50p	290	+3	1.5	♦	0.9	♦
79	65	Tottenham Hotspur	66		2.3	1.6	8.7	[illegible]
260	182	Trid'nt TV 'A' 10p	242	+2	7.5	1.6	4.4	18.[illegible]
160	103	‡21st Century Dist	103		—	—	—	—
165	105	‡Tyne Tees TV 'A' £1	106		10.5	2.5	‡	4.[illegible]
92	84	Ulster TV N/V 'A'	88		4.75	♦	7.7	♦
26	20½	Webb (Jos.) 5p	21½		0.51	1.0	3.4	42.[illegible]

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
350	140	♥Centennial Min'ls.	147	+5	—	—	—
120	70	♥Colby Res Corp.	80		—	—	—
550	450	Cons. Murch. 10c	450		†Q100c	1.4	10.8
40	28	‡Essex Int. b10p	14	+2	—	—	—
215	157	Hampton Areas 10p	187	–3	3.75	2.1	2.7
260	155	♥Highwood Res.	165	+10	—	—	—
£22½	£18	Homestake Mining $1	£19⅝		Q20c	—	1.0
310	190	♥McFinley Red Lake	228	–5	—	—	—
300	195	♥Musto Explorations	250		—	—	—
55	23	♥New Sabina Res C$1	43	+8	—	—	—
375	260	Northgate C$1	292	+22	—	—	—
685	581	RTZ	581	–9	20.5	2.7	4.9
£145½	£129	Do. 9½pcLn '95-2000	£129½		Q9½%	14.0	†7.6
£14½	£10	♥Tara Expln $1	£13	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	100		Arnott	175	
Craig & Rose £1	£9		CPI Hldgs	50	
Finlay Pkg. 5p	61		Carroll Inds.	122	
Higsons Brew	232xd	–1	Dublin Gas	53	
Holt (Jos) 25p	740		Hall (R. & H.)	55	
IoM Stm. £1	90		Heiton Hldgs.	16½	–3½
IRISH			Irish Ropes	43	
Fund 11¼% 1988	£96½	+¼	Jacob (W.& R.)	80	
Nat. 9¾% 84/89	£90⅝		Unidare	84	+4
Fin. 13% 97/02	£101½	+⅛			

OPTIONS — 3-month call rates

Industrials	p		p		p
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp	25	Hawker Sidd	30	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen.	50	Peachey	22
Boots	15	Lex Service	20	Samuel Props.	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds	25	Brist. Oil & Min	4
Brit. Telecom	11	Marks & Sper	11	Brit Petroleum	42
Brown (J.)	5	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	[illegible]	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	1[illegible]	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	15
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18		
Dunlop	6	RHM	11		
FNFC	[illegible]½	Rank Org Ord	32	**Mines**	
Gen Accident	45	Reed Intnl	50		
Gen Electric	13	Sears	8	Charter Cons	18
Glaxo	85	TI	20	Cons Gold	44
Grand Met	25	Tesco	20	Lonrho	14
GUS 'A'	65	Thorn EMI	35	Rio T Zinc	56
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 33

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 32

NEW YORK – DOW JONES

	June 4	June 5	May 31	May 30	May 29	May 28	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,314.07*	1,310.93	1,315.41	1,305.78	1,302.98	1,301.52	1615.41 (31/5)	1184.96 (4/1)	1515.41 (31/5/85)	41.22 (2/7/32)
Transport	849.42*	847.85	845.16	829.65	829.98	828.18	845.16 (1/3)	553.03 (4/1)	845.16 (31/5/85)	12.32 (8/7/32)
Utilities	163.52*	163.26	163.32	162.29	162.19	162.29	164.75 (17/5)	146.54 (4/1)	164.75 (17/5/85)	10.5 (28/4/42)
Trading vol		125m	134.7m	108.3m	98.5m	90.0m	–	–	–	–

	May 24	May 17	May 10	Year Ago (Approx)
Ind Div Yield %	4.70	4.77	4.81	5.87

STANDARD AND POORS

	June 4	June 3	May 31	May 30	May 29	May 28	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	208.71*	208.38	208.65	208.81	207.65	208.14	210.82 (21/5)	182.24 (4/1)	210.82 (21/5/85)	3.62 (30/6/32)
Composite	188.69*	189.32	189.55	187.75	187.68	187.85	189.72 (20/5)	163.68 (4/1)	189.72 (20/5/85)	4.40 (1/6/32)

	May 22	May 15	May 6	Year Ago (Approx)
Ind div yield %	3.74	3.84	3.92	4.23
Ind. P/E Ratio	11.64	11.37	11.14	11.78
Long Gov Bond Yield	10.75	10.95	11.33	13.40

N.Y.S.E. ALL COMMON

June 4	June 6	May 31	May 30	1985 High	1985 Low
109.87*	109.61	109.53	108.73	110.08 (28/5)	108.43 (4/1)

RISES AND FALLS

	June 3	May 31	May 29
Issues traded	2,028	2,014	2,000
Rises	616	1,054	787
Falls	997	530	722
Unchanged	415	430	491

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
BankAmer	6,067,400	28	– 1¾
Mid-So Util XD	1,488,700	13¾	– ¾
Dime Sbgs	1,356,700	16¾	– ½
Nabisco	1,323,500	61½	– ⅛
Exxon	1,112,800	52⅝	unch
IBM	957,600	129½	+ ⅜
Litton	906,600	88½	+ 1⅞
Atl Rich	877,200	60	– ⅛
Sperry Cp	868,700	51⅞	– ½
RCA	863,100	46¼	+ 1⅞

Advances 883 Declines 840

TORONTO

	June 4	June 3	May 31	May 30	1985 High	1985 Low
Metals & Mnls	1,943.3*	1,955.5	1,984.7	1,984.50	2190.7 (13/2)	1896.8 (4/1)
Composite	2,745.5*	2,744.75	2,738.3	2,728.64	2738.7 (21/5)	2348.5 (8/1)
MONTREAL Portfolio	134.18*	134.19	133.40	133.81	135.85 (21/5)	117.80 (4/1)

* Indicates pre-close figure

Indices

	June 4	June 3	May 31	May 30	1985 High	1985 Low
AUSTRALIA All ord.(1/1/80)	861.2	872.8	878.6	874.8	904.5 (20/5)	716.3 (7/1)
Metals & Mnls. (1/1/80)	618.8	585.7	587.8	588.8	585.8 (20/5)	382.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	96.17	96.87	98.45	98.32	99.17 (4/6)	85.21 (24/1)
BELGIUM Brussels SE (1/1/80)	2571.17	2575.84	2564.78	2549.51	2575.84 (5/6)	2080.7 (18/1)
DENMARK Copenhagen SE (3/1/83)	161.42	190.89	–	190.87	196.84 (24/5)	158.44 (8/1)
FRANCE CAC General (31/12/82)	252.8	252.5	255.1	252.6	255.1 (31/5)	188.9 (3/1)
Ind Tendance (28/12/84)	150.0	120.5	180.4	180.1	180.4 (31/5)	100.1 (3/1)
GERMANY FAZ Aktien (31/12/58)	457.73	461.35	458.29	450.95	461.35 (3/6)	382.39 (3/1)
Commerzbank (1/12/53)	1344.2	1355.0	1346.7	1321.8	1355.0 (3/6)	1111.8 (3/1)
HONG KONG Hang Seng Bank (31/7/64)	1643.55	1641.25	1613.87	1621.68	1647.86 (17/5)	1229.74 (2/1)
ITALY Banca Comm Ital. (1972)	302.77	308.22	307.87	311.16	320.01 (23/5)	228.56 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	12583.3	12478.4	12758.4	12790.5	12790.5 (30/5)	11545.2 (5/1)
Tokyo SE New (4/1/68)	991.17	984.82	997.95	1000.07	1006.96 (22/5)	916.95 (4/1)
NETHERLANDS ANP-CBS General (1970)	212.5	212.1	211.4	210.5	215.8 (8/5)	185.8 (3/1)
ANP-CBS Indust (1970)	174.5	174.0	172.5	172.1	174.8 (4/6)	147.8 (3/1)
NORWAY Oslo SE (4/1/83)	343.87	345.87	343.02	338.95	345.87 (3/6)	288.18 (2/1)
SINGAPORE Straits Times (1966)	989.15	(c)	512.41	517.15	852.55 (7/3)	764.38 (18/1)
SOUTH AFRICA JSE Gold (28/9/78)	–	1057.1	(c)	(u)	1140.8 (18/4)	856.1 (11/2)
JSE Indust (28/9/78)	–	985.8	(c)	(u)	975.0 (24/5)	767.1 (7/3)
SPAIN Madrid SE (28/12/84)	118.88	110.25	108.53	108.75	117.41 (4/2)	101.48 (2/1)
SWEDEN Jacobson & P (11/58)	1547.80	1568.85	1572.98	1579.28	1488.88 (11/2)	1547.80 (4/6)
SWITZERLAND SwissBank Cpn. (31/12/58)	455.8	433.5	432.5	432.7	455.8 (24/5)	389.7 (3/1)
WORLD Capital Intl. (1/1/70)	–	213.4	512.5	211.3	216.4 (5/6)	184.6 (4/1)

** Saturday June 1: Japan Nikkei-Dow 12689.5. TSE 995.97.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c-Closed. u Unavailable.

FT COMMERCIAL LAW REPORTS

Lien on sub-freight is a registrable charge

RE WELSH IRISH FERRIES LTD

Chancery Division (Companies Court): Mr Justice Nourse: May 23 1985

A SHIPOWNER'S lien on sub-freights due to a corporate charterer is registrable with the registrar of companies as a charge on book debts; and in the absence of registration subsequent registered charges on book debts take priority over the lien.

Mr Justice Nourse so held when giving judgment in favour of Lloyds Bank plc, one of two respondents to an application for directions made by receivers of property charged to the bank by the company, Welsh Irish Ferries Ltd, under a debenture. The other respondent was Ugland Management Co A/S of Grimstad, a Norwegian company, owner of the Ugland Trailer.

Section 95 of the Companies Act 1948 provides: "(1) . . . every charge created . . . by a company . . . shall . . . be void against the liquidator and any creditor of the company, unless . . . particulars of the charge . . . are . . . received by the registrar of companies for registration . . . within 21 days after the date of its creation . . . (2) This section applies to the following charges: . . . (e) a charge on book debts of the company . . .".

MR JUSTICE NOURSE said that the company used to operate a ferry service between Barry and Cork.

On March 23 1983 Norwegian shipowners chartered the Ugland Trailer to the company under a time charter in the New York Produce Exchange (Nype) form. The rate of hire was $3,475 per day payable semi-monthly in advance.

Clause 18 of the charter provided that "the owners shall have a lien on all cargoes and all sub-freights for any amounts due under this charter . . ." The charterparty was not registered under section 95 of the Companies Act 1948.

By a debenture dated May 4 1983 made between the company and Lloyds Bank, a fixed charge was created on all the company's book debts. The debenture was registered under section 95.

During the company's operation of the Ugland Trailer there were no bills of lading and therefore no contracts between the shippers and the owners. The owners' right to payment of freight existed only under their lien on sub-freights.

On June 30 1983, only two payments having been made, the owners terminated the charter and required all known shippers to pay outstanding hire or freight to them: On July 5 the bank, in exercise of its powers under the debenture, appointed receivers and managers of the charged property. On November 21 the court ordered that the company be compulsorily wound up. A liquidator was appointed.

The receivers collected substantial sums from the shippers in respect of freights. They were doubtful as to whether they should pay them to the owners on the footing that their lien took priority over the bank's fixed charge on book debts, or whether they should pay them to the bank on the footing that it did not.

They accordingly applied for directions under section 369 (1) of the 1948 Act. The contest was between the owners and the bank.

*

It was agreed that the sub-freights were book debts subject to the fixed charge created by the debenture. It was also agreed that the question of priority depended on whether the lien was or was not registrable under section 95.

If it was not registrable the owners took priority; if it was, the bank did. The question was whether the lien created an equitable charge, and if it did, whether it fell within section 95.

The lien on sub-freight was the creature of an express contract. Its effect was to give the shipowners a limited right to require payment from the shipper of money owed by him to the charterer. The charterer had a chose in action against the shippers. It could only be acquired by the shipowner by virtue of some assignment, necessarily equitable, made by the charterer.

That was how it was put in argument by Mr Oliver for the bank, and the logic of it was unanswerable.

*

Then, it must be asked, what sort of an equitable assignment was it? It could only be an assignment by way of security for what was owed by the charterer to the shipowner.

It was established law that an equitable assignment of a chose in action by way of security created an equitable charge on the chose (see for example *Kent and Sussex Saw Mills [1947] Ch 177*).

Accordingly it seemed clear on analysis that the lien created an equitable charge on the sub-freights.

*

A lien on sub-freights could only be enforced by shipowners before the shipper had made payment to the charterer. It conferred no right to follow the money after it had been paid. Mr Millett for the owners submitted that the inability to follow demonstrated that the lien gave shipowners no proprietary right in the sub-freight, with the result that an essential element of a charge was missing.

That submission proceeded on a confusion between the nature of the right and the event which defeated it. The reason the shipowner could not follow into the hands of the charterer was because it was the very event of payment to him which defeated the right. The assignment was defeasible in that event, but until defeated it was nonetheless an assignment by way of security.

In *the Nanfri [1979] AC 757, 784* Lord Russell of Killowen said of a lien on sub-freights that it "operates as an equitable charge upon what is due from the shipper to the charterer . . ." That dictum confirmed his Lordship's view. Since he was not constrained by authority to the contrary, he held that the lien created an equitable charge.

If the lien fell within section 95 it would come as something of a shock to those who dealt with matters of this kind. The evidence established that it had never been the practice to register a shipowner's lien on sub-freights under section 95.

*

Mr Millett submitted that when Parliament enacted section 93 of the Companies (Consolidation) Act 1908, the original predecessor of section 95, it could not have intended and did not intend that the general reference to a charge on book debts should apply to the particular case of a shipowner's lien on sub-freights.

He supported that submission with the point, *inter alia* that the present Nype form had been in use since 1913 and until recently the right had always been described as a lien and not as an equitable charge. No authority or text book had suggested it was required to be registered under section 95. Also registration would be quite impracticable, since charterparties were negotiated by shipbrokers and not lawyers.

Finally, he said, there would be no useful purpose in registration, the whole object of which was to warn unsuspecting creditors that the debtor company had charged its assets—anyone who dealt with a corporate charterer would know that it must have created liens on sub-freights.

*

The Companies Court, no less than the Commercial Court, was most reluctant to disturb settled commercial practices, especially when it might lead to great practical difficulties while serving no useful purpose.

But it could only cut down the effect of general words in an Act of Parliament if it was clear that they were not intended to apply to the particular case. That test was not satisfied in the present case. To accede to Mr Millett's arguments would be an excess of the judicial function.

It was held, therefore, that the lien fell within section 95 and that the bank was entitled to succeed.

For the bank: David Oliver (Richards Butler and Co.).

For the owners: Peter Millett QC and Dominic Kendrick (Sinclair Roche and Temperley).

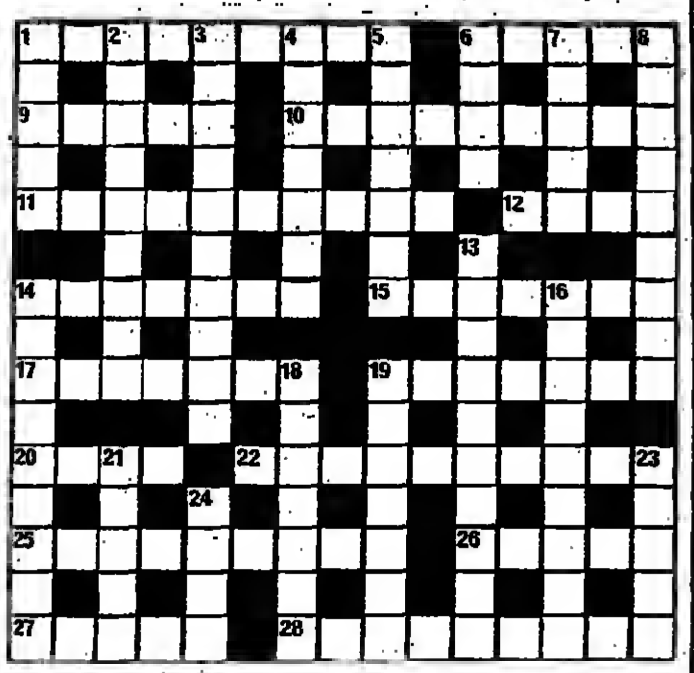
By Rachel Davies

Barrister

Correction

In *Bremerhandelsgesellschaft o Ets Soules, FT June 4 1985* the final sentence of the judgment should read "The appeal should be dismissed."

F.T. CROSSWORD PUZZLE No. 5,735



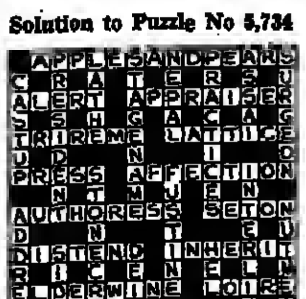
ACROSS

1 Car the Finns put back in stock (9)
6 Operatic heroine starts calling like a parrot (5)
9 Tomato—or Big Apple, at any rate? (5)
10 Where to get tea, if race is off? (9)
11 Moustaches needed to manage pubs? (10)
12 Fit plate for Oxford, perhaps (4)
14 Slit got opened in entrance to windpipe (7)
15 Honour England's openers before August (7)
17 Guaranteed life of an underwriter (7)
19 Crime of corrupt senator? (7)
20 Dutch pottery left out—that's handy! (4)
22 Quarrelling over lower incidence of big-toe trouble (7,3)
25 Plant Bennett's card on eastern lines (9)
26 Part of stage employed for "HMS Pinafore"? (5)
27 Larva about? Try this chemical (5)
28 Oho! the cat is involved in canine trouble (9)

DOWN

1 Tiller's course set at one, roughly? (5)
2 Some mount erupting can be earth-shaking (9)
3 Work to make spring more comfortable? (10)
4 At home, copper business starts to be a nightmare (7)
5 Quarters police to ensure obedience (7)
6 Light aircraft dazzled into destruction (4)
7 Military music of the border (5)
8 Changeable person has clean home rebuilt (9)
13 In an inferior position, like Port Talbot (10)
14 Alice's intended put in the box? (9)
16 Twice, Head Office cut price—see! (9)
18 Way of talking about citadel (7)
19 Call in the field to see the coach (5-2)
21 View of champion in this paper (5)
23 Rigid flex? (5)
24 Policy file (4)

Solution to Puzzle No 5,734



CONTRACTS

Complete water works

AMES CROSTA BABCOCK, a Babcock International company, has won a £2.5m contract from Severn-Trent Water Authority, Avon division, for the turnkey development of a green field site at Draycote as a complete water treatment works. Design capacity of the works is 15 Ml/d with provision for future extensions up to 30 Ml/d. The plant is to supplement existing supplies initially to Rugby and later to Coventry.

*

WESTINGHOUSE ELECTRIC CORP has received an order worth $10.6m £8.4m) from ENSIDESA (Empresa Nacional Siderurgica, S.A.) of Aviles, Spain, for the electrical and control systems portion of a steel mill modernisation project. Westinghouse received the order as part of a consortium formed with Mannesmann-Demag-Sack of Duesseldorf and Sidernaval of Bilbao, Spain, to renovate the rougher area of a 68-inch semi-continuous hot strip mill. Westinghouse will serve as prime contractor for the roughers' electrical system, including engineering, automation, motor drive control equipment, installation, training, and startup services.

*

BABCOCK POWER construction division has been awarded a multi-million pound order from Balfour Beatty/Fairclough, joint venture main contractors for the Thorp Project for British Nuclear Fuels at Sellafield, Cumbria. Work, spread over three years, includes the underpond membrane and stainless steel cladding. This order, together with other recent business won on the site, means that Babcock Power has now secured £11m of work at Sellafield under the current BNFL programme.

*

In a contract worth more than $9m (£7.9m) SPERRY is to supply the Civil Aviation Authority of China, CAAC, with a 1100/74 multi-processor mainframe and the Sperry USAS software package. When the fully configured system is installed in Beijing, a Sperry 1100/74 multiprocessor will support a nationwide communications network of more than 1,000 terminals linking CAAC's reservation offices and major airports to the system." The system will use the passenger services and departure control applications of USAS.

*

SULZER BROS (UK) of Farnborough has been awarded a £500,000 contract by Miller Construction for installing mechanical, electrical and sanitary services at St James House, a new office development at Bracknell, Berks, for Miller Developments. Heating and air conditioning are to be provided to 3,250 sq metres of offices, served by air handling and chiller plants in the basement and boilers and cooling towers at roof level. Electrical power will be distributed through cable ways under a false floor and air handling will be integrated with light fittings within the ceiling. Work is scheduled for completion in January 1986.

*

An order for 22 pumpsets and associated mechanical equipment worth over £450,000 has been awarded to WEIR PUMPS, Glasgow, by SAEMCO (the Saudia Electro Mechanical Company) of Jeddah, Saudi Arabia. The pumps are for the Haram water transmission project and will augment the supply of water to the Holy City of Mecca. Six downhole pumps of an hydraulically-driven type recently developed by Weir Pumps have been ordered for an oilfield in the People's Republic of China. The pumps, valued at over £400,000 and the first of the type to be ordered by China.

*

MILES 33 has won a contract to install what it believes to be the most advanced computer system ever developed for solicitors. The £110,000 system has been ordered by Pictons, a seven-strong Hertfordshire solicitors' practice. By the end of the year 15 terminals and seven printers, including a laser printer capable of producing up to 10 pages per minute, will provide a comprehensive link between all seven offices. Every major administrative function of the firm will be computer-based with virtually all initial administration handled by the computer at Pictons' St Albans branch.

*

JOHN HASTIE of Greenock, a member of Vickers marine engineering division, has won two orders worth a total of £1.5m from the offshore oil industry. The first contract for a £1m crane structured, offshore crude oil transfer system, is from NKK Japan. It will be fitted to the production testing ship being built in Japan for Golar Nor Offshore. The system features the revolutionary Hastie Orbital Crane with a slew ring bearing, specially developed for offshore oil applications. The second order also involves the Hastie Orbital Crane design. This £500,000 contract is for a pedestal crane for Amoco (UK) Exploration Co., to be used in the Inde Field in the southern section of the North Sea. It will replace existing craneage on Platform 49/18a which has already been on station for a number of years. The new crane has a capacity of 17 tonnes, at a radius of 10.5 metres.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth BH8 8AL
0345 717373 (Linkline)

High Income				
Gilts & Fixed Inc.	109.9	116.3	+0.3	10.32
High Inc Equity	73.9	78.[illegible]	+0.3	6.30
Worldwide Bond	145.1	154.4	+1.[illegible]	6.28
Capital Growth				
American Growth	133.6	142.1	+0.4	1.53
Asia Pacific	49.5	52.7	+0.1	
Assets & Ernys. Tt.	77.2	82.[illegible]	+0.4	2.44
Capital Reserve	57.2	57.9	+0.1	0.74
Commodity & Enrgy	69.9	75.[illegible]	+0.9	3.45
General	107.8	115.3	+1.0	2.82
Japan	150.4	161.7	+2.4	0.00
UK Growth Acc Units	106.6	11[illegible]	−0.7	1.91
UK Growth Dist	75.0	80.[illegible]	−0.5	1.91
U.S. Emerging Co's	55.7	59.[illegible]		0.44
Exempt Prov	160.3	171.5	+0.5	3.01

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

Allied Unit Trusts Limited (a)(g)

Brown Shipley & Co. Ltd. (a)(g)

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT 01-588 2868

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Cannon Fund Managers Ltd. (z)
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)(z)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.7	68.8	+1.1	3.31
Accum Units	95.6	101.7	+1.6	3.31
Pearl Inc.	88.8	94.5	+1.2	4.89
Pearl Unit Tst.	93.4	99.4	+1.4	4.03
(Accum. Units)	158.0	168.1	+2.3	4.03

Perpetual Unit Trust Mngmt. (a) (z)
48, Hart Street, Henley on Thames. 0491 576868

Growth	182.8	196.2	+1.0	1.47
Income	138.5	148.3	+1.0	5.49
Worldwide Recovery	105.2	112.9	+0.1	2.08
American Growth	57.3	61.5	−0.5	0.61
Intl. Emerging Cos.	58.9	63.2	+1.2	0.79
Far East Growth Fd.	46.8	50.2	−0.3	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	104.2	111.6	+1.2	0.40
Prolific Extra Inc.	63.3	68.3	+0.2	5.89
Prolific Gilt Cap.	79.6	82.8	+0.3	3.33
Prolific High Int.	131.6	140.0	+0.3	5.15
Prolific Intl.	85.5	91.6	+0.5	1.59
Prolific N. Amer	116.9	125.2	+0.5	1.73
Prolific Spec. Sits	148.2	157.4	+0.3	1.36
Prolific Technology	110.9	118.8	+0.3	0.92

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.9	51.8	+0.5	0.19
Worldwide	48.6	51.5	+0.5	1.60
European Trust	47.7	50.5	+0.3	0.92
North American	52.1	55.3	+0.3	1.11
UK Equity	49.6	52.5	+0.5	3.08

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst.	328.3	349.2	+2.0	3.38
Holborn Gilt Tst.	148.7	155.6	+0.2	8.99
Holborn High Inc.	54.0	57.4	+0.2	7.94
Holborn Intl.	56.3	59.8	+0.3	0.56
Holborn UK Growth	64.2	68.2	+0.4	2.17

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	321.6	342.2		3.48
Quadrant Income	182.0	191.6		6.24

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse., Andover, Hants. SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	97.1	103.4	+0.9	1.20
Do. Accum.	100.1	106.5	+1.0	1.20
TSB Extra Income	87.3	92.9	+0.4	6.03
Do. Accum.	97.1	102.4	+0.4	6.03
TSB General	121.8	129.5	+0.8	3.25
Do. Accum.	194.1	206.7	+1.4	3.25
TSB Gilt & Fixed Int.	46.7	48.7	+0.1	9.78
Do. Accum.	56.4	58.8	+0.1	9.78
TSB Income	162.3	172.7	+1.1	4.90
Do. Accum.	244.6	260.3	+1.7	4.90
TSB Pacific	106.5	113.3	+0.8	1.09
Do. Accum.	108.2	115.2	+0.8	1.09
TSB International	229.5	244.2	+2.5	1.89
Do. Accum.	279.3	297.2	+3.1	1.89
Natural Resources	46.9	49.9	−0.5	2.58
Do. Accum.	47.3	50.4	−0.5	2.58
TSB Scot. Opps.	48.2	51.3	+0.2	2.40
Do. Accum.	51.8	55.2	+0.2	2.40

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	69.9	74.2	−0.7	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse Rd, Aylesbury Bks (0296) 5941

American Eagle	69.0	73.8	+0.2	0.19
Australia	27.3	29.1	−0.3	0.10
Commodity	98.9	106.3	−1.1	1.57
Energy	46.2	49.4	−1.1	0.67
Equity	103.7	110.6	+1.5	3.64
European Spec. Sits.	50.3	53.8	+0.5	0.95
Extra Income	92.6	95.0	+1.2	7.13
Financial	203.2	216.7	+1.1	2.95
Gilt Capital	213.5	223.6	+0.7	3.25
Gilt Income	101.9	106.9	+0.3	9.11
Gold Income	64.4	68.9	−0.8	4.16
Gold Acc.	116.4	124.5	−1.5	4.16
Income	60.0	64.5	+0.3	5.80
Japan	44.3	47.2	+0.4	0.10
Malaysia & Singapore	27.5	29.3		0.91
Pacific Income	69.6	74.4	+0.6	10.36
Pacific Re Inv	84.3	90.1	+0.7	10.36
Preference Share	15.6	16.8		10.29
Professional	496.0	529.1	+3.0	1.95
Special Sits	88.4	94.5	+0.3	1.82
Technology	42.2	45.1	+0.1	0.1
U.S. Special Bond	49.3	52.7	+0.2	6.31

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Arbuthnot Securities (C.I.) Ltd. (a)(c)(b)
P.O. Box 428, St. Helier, Jersey. 0534 76077

Dollar Income Tst (c)	1.067	1.118	+0.009	10.73
Gov't Secs. Tst	72.9	76.4	+0.1	13.08
Yen Bond	Y200	210		5.71
Sterling Fdt	179.9	180.0	+0.4	—
Japan Growth	220.6	237.2		0.42

Next dealing *June 6. June 12.

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey. 0534 75141

Dollar Fund	$10.40	10.43		
Sterling Fixd Interest	£9.73	9.76		9.66

B.I.A. Bond Investments AG
10, Bahnhofstrasse CH6301, Zug, Switzerland

Barer Bd May 20	SF10,925	11,500		—

EBC Trust Company (Jersey) Ltd.
1-3 Seale St, St Helier, Jersey. 0534-36331.

J Rothschild Holdings PLC
32-33 St James's Pl, London SW1A 1NR. 01-493 6111

Japan Fund	$9.97	10.468	−0.116	—
Australia Fund	$8.15	8.5575	−1.94	—
Establishment Trust	$1.11			—

Rothschild Australia Asset Mgmt. Ltd.
17 Bridge St, Sydney 2000, Australia

Free Arrows Aust. Eq.	$1.64	1.64		5.10

Rouse Woodstock (Bermuda) Limited
POB 1179, Hamilton, Bermuda 809 295 2244

Royal Bank of Canada Funds

Tyndall-Guardian Mngt Ltd.
PO Box 1256, Hamilton, Bermuda

M. G. Tyrrell & Co. Ltd.
PO Box 915, London W13 9RY.

Union Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd.
2, Throgmorton Ave., London. 01-638 6111

Union-Investment-Gesellschaft GmbH
Postfach 16767, D 6000 Frankfurt 16.

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.76		+0.02	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$8.85		−0.18	—
Dynamic Gwth Fd	$8.09		−0.01	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.3	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.65	9.46	14.03	6-mth
7-day Fnd	12.77	9.55	14.17	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.22	9.13	13.47	6-Mth
7-day Fnd	12.34	9.22	13.60	6-Mth
Dollar	[illegible]	—	—	6-Mth
Money Mngt. Acct	12.00	8.97	13.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	12.50	9.38	14.03	Qtr
Mth. Int. Chq.	12.375	9.25	14.05	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	12.05	9.00	13.40	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252892				

OFFSHORE AND OVERSEAS

NOTES

London Clearing Banks' balances

as at May 15 1985

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding		Change on month	
LIABILITIES	£m	£m	£m	£m
Sterling deposits:				
UK monetary sector	18,605		+300	
UK private sector	62,219		+328	
UK public sector	1,340		+ 9	
Overseas residents	11,001		+ 34	
Certificates of deposit	5,632		−551	
		98,797		+120
of which: Sight		36,322		+322
Time (inc. CD's)		62,475		−202
Foreign currency deposits:				
UK monetary sector	14,286		+270	
Other UK residents	4,635		+ 57	
Overseas residents	43,962		−145	
Certificates of deposit	6,807		+231	
		69,691		+413
Total deposits		168,488		+533
Other liabilities*		22,983		+1,322
TOTAL LIABILITIES		191,472		+1,855
ASSETS				
Sterling				
Cash and balances with Bank of England		1,491		+ 17
Market loans:				
Discount houses	3,115		+358	
Other UK monetary sector	16,759		+545	
UK monetary sector CD's	2,720		− 10	
Local authorities	760		− 7	
Other	2,072		+ 67	
		25,426		+953

	Total outstanding		Change on month	
	£m	£m	£m	£m
Bills:				
Treasury bills	198		+ 90	
Other bills	2,276		+262	
		2,474		+352
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,602		+234	
Other	2,684		+ 3	
		5,286		+237
Advances:				
UK private sector	67,063		−521	
UK public sector	312		−158	
Overseas residents	2,667		+ 51	
		70,041		−627
Other sterling assets*		10,789		+173
Foreign currencies				
Market loans:				
UK monetary sector	16,027		+682	
Certificates of deposit	919		− 38	
Other	29,402		+169	
		46,349		+813
Bills		182		− 1
Advances:				
UK private sector	6,095		+274	
UK public sector	1,118		+ 13	
Overseas residents	16,498		−188	
		23,710		+ 98
Other foreign currency assets*		5,723		−159
TOTAL ASSETS		191,472		+1,855
Acceptances		3,979		+168
Eligible liabilities		73,797		−417

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES	TOTAL Out-standing	TOTAL Change on month	BARCLAYS Out-standing	BARCLAYS Change on month	LLOYDS Out-standing	LLOYDS Change on month	MIDLAND Out-standing	MIDLAND Change on month	NATIONAL WESTMINSTER Out-standing	NATIONAL WESTMINSTER Change on month	WILLIAMS & GLYN'S Out-standing	WILLIAMS & GLYN'S Change on month
LIABILITIES	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total deposits	168,488	+533	42,531	+227	31,723	+241	32,337	+154	56,923	− 68	4,974	− 21
ASSETS												
Cash and balances with Bank of England	1,491	+ 17	509	+ 38	219	− 44	242	− 28	469	+ 51	51	—
Market loans:												
UK monetary sector	35,877	+1,562	7,166	+562	5,169	+346	4,331	+352	18,311	+315	901	− 14
Other	35,897	+205	9,652	+197	7,067	−265	7,439	+322	10,614	− 42	1,126	− 8
Bills	2,656	+351	978	+183	805	+ 27	370	+ 80	487	+ 66	16	− 5
British Government stocks	2,602	+234	496	+ 48	705	+ 10	696	+199	619	− 23	86	—
Advances	93,752	−529	25,768	−205	18,416	+162	17,969	−609	28,633	+120	2,965	+ 3
TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES	73,797	−417	21,331	−435	15,136	+ 32	13,173	− 41	21,800	+109	2,357	− 81

APPOINTMENTS

Cable and Wireless plans major changes

From July 1 Mr R. A. Pemberton, director, Far East, of CABLE AND WIRELESS is appointed to a new position of chief operating officer reporting to the chairman and chief executive, Sir Eric Sharp. He will move from Hong Kong to the UK, and in addition to his current responsibilities as director, Far East, Mr Pemberton will assume responsibility for the operations of all other regional directorates.

Finance and marketing directorates will continue to report directly to the chairman.

Mr Alan Wheatley, non-executive deputy chairman, is resigning from the court of Cable and Wireless following his recent appointments as senior partner of Price Waterhouse, and as a member of the Industrial Development Advisory Board.

Mr Alan W. Clements, finance director of Imperial Chemical Industries, will join the court as a non-executive director.

Mr David K. P. Li, director and chief manager of The Bank of East Asia, will become chairman of the Hong Kong Telephone Company in place of Mr Pemberton.

★

DIRECT COMPUTERS of Stevenage, has appointed Mr David Longley as managing director and Mr Mike Wenn as marketing director.

Mr J. J. Harding has been appointed managing director of the Ideal Williams division of McKECHNIE ENGINEERING (READING).

★

W. A. BAXTER & SONS has appointed Dr Peter Main, until recently chairman of the Boots Company as an non-executive director.

★

Mr Peter Jordan has been appointed director of technical services at the BUILDING EMPLOYERS CONFEDERATION. He succeeds Mr Eric Thompson, who has retired.

★

Mr David Palmer, chairman of Willis Faber, has been appointed president of THE INSURANCE INSTITUTE of London, the largest local institute of the Chartered Insurance Institute.

★

WATERFORD GLASS GROUP has appointed two non-executive directors: Mr David Dand, chairman and managing director of Gilbeys of Ireland Group; and Mr Howard Kilroy, chief operations director of the Jefferson Smurfit Group.

★

Mr Philip Amphlett has joined BANK JULIUS BAER AND CO as senior vice president in charge of banking and commercial lending. He comes from Henry Ansbacher and Co where he was senior banking director.

★

CRYSTALATE HOLDINGS has appointed Mr John Herrin as group chief executive. He was previously group managing director. Mr Herrin is also chairman of Welwyn Electronics, of Bedlington, Northumberland, now part of Crystalate. Following the restructuring at group level, two directors, Mr A. J. Crates and Mr C. K. Howe have decided to leave the group. Mr John B. Leworthy, Crystalate's chairman, says: "Their departure is entirely amicable and will be timed to ensure a smooth handover."

★

ASSOCIATED BRITISH PORTS HOLDINGS has appointed Mr Richard Leigh to the board of its computer operating subsidiary, ABP Computer Services, as a non-executive director. He is divisional director of the PE Consulting Group and managing director of Lodestar Computing.

★

Mr Rodman C. Rockefeller has joined the board of BOOKER McCONNELL as a non-executive director. He is chairman of Arbor Acres Farm Inc, the holding company of Booker's interests in the U.S. in which the Rockefeller

Mr Rodman C. Rockefeller becomes a non-executive director of Booker McConnell

family have a 10 per cent shareholding. He was chairman and chief executive officer of the International Basic Economy Corporation (IBEC) when it was merged with Booker's agribusiness interests in 1980 and subsequently chairman of Ibec Inc, formerly parent company of Booker's agricultural interests. Mr Rockefeller is the eldest son of the late Mr Nelson Rockefeller.

★

RESEARCH MACHINES, Oxford, has appointed Mr John Netherton as sales and marketing director. He was with Philips Business Systems as sales director.

★

UDO HOLDINGS has appointed Mr Robert Flashman as regional managing director Scotland (Sime Malloch). He was formerly sales director of Ozalid UK.

★

Mr I. J. Fraser will be retiring as chairman of the ACCEPTING HOUSES COMMITTEE on July 1 having served since 1981. The committee has elected Mr Evelyn de Rothschild, chairman of N. M. Rothschild and Sons, to succeed him. Mr de Rothschild is also chairman of The Economist Newspaper as well as being a director of a number of British and overseas companies, IBM (UK), Eagle Star Holdings and De Beers Consolidated Mines.

★

ARCO CHEMICAL EUROPE, INC has appointed Mr Marc Roche as vice president for oxygenated fuels. He was marketing manager.

★

HAMBRO LIFE has made the following promotions: Mr David Anderson to executive director, broker department; Mr Keith Carby, executive director, sales; Mr Peter Emms, executive director, marketing; Mr Jerry Grayburn, executive director, pensions marketing; Mr Tony Leeson, area director, broker department; Mr Gordon Burt, executive director, pensions; Mr Peter Hamilton, executive director, legal; Mr Norman Leslie and Mr Ian Seward, executive directors, management services; Mr Steve Smith, divisional director, finance; Mr Peter Stemp, executive director, personnel/office services; and Mr David Woollett, divisional director, management services.

★

Mr Simon Tebbett has been appointed finance director of CPU COMPUTERS.

★

Mr David J. Duncan, a director of William Mercer—MPA, has joined the investment division of J. HENRY SCHRODER WAGG & CO. He will be responsible for the development of the company's new pension fund investment management business in the UK.

★

Mr David von Simson has been appointed an executive director on the board of SWISS BANK CORPORATION INTERNATIONAL.

★

Mr Harold Bach has joined the board of THE GUIDEHOUSE GROUP. He is responsible within the group for Greyfriars Trust (the leasing and lending activity) and Guidehouse Securities (the OTC market-making activity). Mr James Powell has joined the board of Guidehouse, the issuing house. He was with Guinness Mahon & Co and finance director of Associated British Engineering. Mr Adrian Bradshaw has become an assistant director of Guidehouse. He was with County Bank. Mr Rupert Lywood has become a manager of Guidehouse. He was with Robson Rhodes.

★

Mr Bev Scutts has joined the main board of BERLEI (UK) as commercial director responsible for sales and marketing. He was sales and marketing executive for Gossard.

★

IBM UNITED KINGDOM has appointed Mr John S. McCracken, resident director, Scotland and Northern England, as communications and external programmes director. His new responsibilities will include government and media relations, together with external activities such as advertising, arts and sports sponsorships, academic initiatives and university programmes, as well as internal communications. His successor as resident director is Mr David J. G. Reid, who was manager of laboratory operations.

★

Dr Paul Whitney has been appointed managing director of CIN Industrial Investments and Mr Barry Southcott as managing director of marketable securities in the NATIONAL COAL BOARD'S superannuation investments department.

★

Founder director of the Interact Group, Mr Geoff Humphrey, has been elected chairman of INTERACT MARKETING AND COMMUNICATIONS GROUP. His special responsibility will be to develop further the "total communications" range of services available to all group clients. Mr Humphrey was managing director of Carter Matanle, a group company.

★

Mr Ronald Marler has been appointed non-executive chairman of KODE INTERNATIONAL from July. He was chairman of Electrocomponents. He succeeds Mr Ted Randall, the current non-executive chairman, who, following his retirement from law practice, has retired but remains on the board as a non-executive director.

★

Mr R. J. Day, who has succeeded Mr E. W. Duffy as chairman and chief executive officer of USG Corporation (formerly United States Gypsum Company), has been appointed a non-executive director of BPB INDUSTRIES, in place of Mr Duffy. Mr H. M. Stever, vice-chairman of USG Corporation, has been appointed as an alternate director to Mr Day.

★

Following EMI Music's recent acquisition of Hispavox S.A., the leading independent Spanish record company, Mr Luis Aguado has been appointed managing director EMI MUSIC GROUP, Spain, with responsibility for both Hispavox and the existing Odeon S.A. company. Succeeding Mr Aguado as managing director EMI Odeon S.A. is Mr Rafael Gil who, for the past three years, has led EMI Music's Latin A&R and marketing team based in Los Angeles. Mr Angel Recuenco continues as managing director Hispavox S.A.

★

THE STOCK CONVERSION AND INVESTMENT TRUST has appointed Mr Michael Cannan, chief executive of the Electricity Supply Pension Scheme, to the board as a non-executive director.

★

BRADSTOCK, BLUNT & THOMPSON (L&P) has appointed Mr G. N. Garbutt as a director and Mr J. Scanlon as an associate director

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Short covering boosts dollar

Late short coverings took the dollar up to the bestlevel of the day yesterday after a rather uninspiring and featureless trading session. A fall in the U.S. discount rate has already been discounted and with no other factors to affect sentiment, there was a general reluctance to push the dollar outside o trading range of DM 3.03 to DM 3.06. Early trading saw the dolar sold off, touching a low of DM 3.0355 against the D-mark. However resistance increased at this level and fresh buying brought it back to DM 3.0450. Late shortcovering boosted the closing dollar rate to DM 3.0540, up from DM 3.0450 on Monday.

Elsewhere the dollar closed at SwFr 2.5690 from SwFr 2.5620 and Y249.10 compared with Y248.80. It was also higher against the French franc at FFr 9.31 from FFr 9.29. On Bank of England figures, the dollar's index was 144.6 from 144.7.

Early trading in New York saw the dollar shrug off Federal intervention in the money market, designed to lower the overnight Federal funds rate, but it still showed some resistance to establishing a level above DM 3.06.

STERLING — Trading range against the dollar in 1985 is 1.3945 to 1.0525. May average 1.2517. Exchange rate index 79.7 after a high of 80.0 and an opening rate of 79.9. Monday's close was 80.5 and the six months ago figure was 74.7.

The pound never really recovered from a sharp downward correction at the start of trading with renewed fears about cuts in oil prices undermining sentiment. High UK interest rates had previously provided provided sufficient support for the pound to offset these fears but yesterday's satisfactory UK money supply figures encouraged hopes of an early fall in clearing bank base rates. The pound closed at $1.4770, a fall of 1.75c from Monday. It was also marked down against its major European competitors at DM 3.8975 from DM 3.9475 and SwFr 3.28 compared with SwFr 3.3150.

Against the French franc it fell to FFr 11.8850 from FFr 12.0150 and Y318 compared with Y321½.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.8730. May average 3.1024. Exchange rate index 122.1 against 121.1 six months ago.

The dollar showed little clear trend in Frankfurt yesterday despite expectations of a cut in the U.S. discount rate. Consequently trading levels were confined to within the morning's range of DM 3.03-3.06. It closed at DM 3.0445 against the D-mark after a fixing level of DM 3.0432 and Monday's close of DM 3.0535. There was no intervention by the Bundesbank. Although the dollar has looked slightly more vulnerable just recently it has met strong resistance when approaching the DM 3.03 level.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.1836	+0.63	+0.64	±1.5471
Danish krone ...	8.14104	8.06535	−0.93	−0.92	±1.6412
German D-mark.	2.24184	2.24409	+0.10	+0.11	±1.1475
French franc......	6.87456	6.84377	−0.45	−0.44	±1.3669
Dutch Guilder ...	2.52595	2.52999	+0.16	+0.17	±1.5177
Irish punt.........	0.72569	0.716892	−1.21	−1.20	±1.6673
Italian lira	1403.49	1432.78	+2.09	+2.08	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 4	Prev. close
£ Spot	$1.2700-1.2715	$1.2810-1.2830
1 month	0.56-0.55 pm	0.54-0.52 pm
3 months	1.47-1.45 pm	1.46-1.42 pm
12 months	3.63-3.80 pm	3.68-3.80 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2715-1.2865	1.2765-1.2775	0.56-0.53c pm	5.12	1.50-1.45pm	4.62
Canada	1.7436-1.7616	1.7440-1.7480	0.46-0.39c pm	2.99	1.27-1.13pm	2.75
Nethlnd.	4.38¾-4.42	4.39¾-4.40¾	2¼-2c pm	5.80	6¾-5¾pm	5.40
Belgium	78.06-78.95	78.35-78.45	28-23c pm	3.90	71-62pm	3.39
Denmark	13.96½-14.07½	13.96½-13.97½	4⅞-3⅝ore pm	3.70	12½-11pm	3.31
Ireland	1.2436-1.2516	1.2438-1.2448	0.15p pm-par	0.77	0.44-0.01pm	0.72
W. Ger.	3.88½-3.91½	3.89½-3.90½	2½-2¼c pm	6.93	6¾-6¼pm	6.74
Portugal	220¼-226¼	220¾-221¾	80-430c dis	−13.30	145-1320dis	−13.26
Spain	221-222¾	221¼-221¾	25-45c dis	−1.90	120-170dis	−2.62
Italy	2,471½-2,505	2,484½-2,485½	2-4 lire dis	−1.45	6-9dis	−1.21
Norway	11.20¾-11.30	11.21-11.22	¼ore pm-⅞ dis	−0.40	⅞-1⅞dis	−0.49
France	11.81½-11.95¾	11.88-11.89	2¾-2c pm	2.33	6-5pm	1.86
Sweden	11.28¾-11.37	11.29½-11.30½	3½-4½ore dis	−4.18	11½-11⅞dis	−4.07
Japan	317½-320½	317½-318½	1.51-1.48y pm	5.88	4.26-4.67pm	5.99
Austria	27.33-27.52	27.33-27.38	15½-13½gro pm	6.41	41½-37½pm	5.75
Switz.	3.27½-3.30¾	3.27½-3.28½	2¼-2c pm	7.77	5¾-6¾pm	7.01

Belgian rate is for convertible francs. Financial franc 78.70-78.80. Six-month forward dollar 2.58-2.53c pm, 12-month 4.00-3.85c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2715-1.2865	1.2765-1.2775	0.56-0.53c pm	5.12	1.50-1.45pm	4.62
Ireland†	1.0220-1.0295	1.0248-1.0258	0.42-0.32c pm	4.32	1.15-0.85pm	3.89
Canada	1.3655-1.3691	1.3665-1.3675	0.23-0.26c dis	−2.18	0.62-0.67dis	−1.89
Nethlnd.	3.4255-3.4575	3.4545-3.4555	0.23-0.20c pm	0.75	0.79-0.75pm	0.90
Belgium	61.18-61.80	61.40-61.50	6-7c dis	−1.27	15-17dis	−1.04
Denmark	10.92-10.98¾	10.94½-10.94¾	1½-2½ore dis	−2.18	4-4½dis	−1.55
W. Ger.	3.0355-3.0595	3.0535-3.0545	0.54-0.49pf pm	2.03	1.63-1.58pm	2.11
Portugal	173-176	173½-175	150-400c dis	−18.94	460-1160dis	−16.58
Spain	172.60-173.75	173.40-173.70	95-115c dis	−7.27	285-315dis	−6.93
Italy	1,941½-1,948	1,946-1,947	10-10½ lire dis	−6.40	28-29dis	−5.86
Norway	8.75-8.79¼	8.78¾-8.78¾	4-4½ore dis	−5.81	11-11½dis	−5.13
France	9.26¾-9.32	9.30½-9.31½	2.05-2.15c dis	−2.71	6.20-6.50dis	−2.73
Sweden	8.82-8.86¾	8.85¾-8.85¾	6¾-7¼ore dis	−9.50	19-19½dis	−8.71
Japan	248.65-249.45	249.05-249.15	0.31-0.27y pm	1.40	0.87-0.82pm	1.36
Austria	21.39½-21.60½	21.43-21.48	2½-1½gro pm	1.19	7-4½pm	1.07
Switz.	2.5540-2.5716	2.5685-2.5695	0.66-0.61c pm	2.97	1.70-1.64pm	2.61

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.60-61.70.

OTHER CURRENCIES

June 4	£	$		£ Note Rates
Argentina Peso..	782.06-783.45	609.32-609.52	Austria	27.40-27.70
Australia Dollar.	1.9280-1.9560	1.5045-1.5070	Belgium	78.90-78.70
Brazil Cruzeiro...	7,060-7,090	5,600-5,620	Denmark	14.00-14.14
Finland Markka.	8.1535-8.1490	6.3400-6.3420	France	11.89-12.01
Greek Drachma.	171.04-174.75	133.05-136.84	Germany	3.89¾-3.92¾
Hong Kong Dollar	9.9710-9.9610	7.7715-7.7735	Italy	2460-2520
Iran Rial.........	119.50*	93.25*	Japan	320-324
Kuwait Dinar (KD)	0.3875-0.3880	0.30230-0.30246	Netherlands	4.39½-4.43½
Luxembourg Fr	78.35-78.45	61.40-61.50	Norway	11.24-11.36
Malaysia Dollar..	3.1575-3.1685	5.4610-5.4636	Portugal	215-228
New Zealand Dlr.	2.8436-2.8516	2.2190-2.2235	Spain	215-224
Saudi Arab Riyal	4.6280-4.6322	3.6100-3.6105	Sweden	11.31-11.42
Singapore Dollar	2.8375-2.8420	2.2115-2.2135	Switzerland	3.26-3.31
Sth African Rand	2.5440-2.5560	1.9840-1.9880	United States	1.27¾-1.29¾
U.A.E. Dirham...	4.7076-4.7124	3.6720-3.6730	Yugoslavia	330-360

* Selling rate.

CURRENCY MOVEMENTS

June 4	Bank of England Index	Morgan Guaranty Change %
Sterling	79.7	−10.1
U.S. dollar	144.6	+30.4
Canadian dollar	87.7	−6.5
Austrian schilling	112.6	+4.1
Belgian franc	89.4	−10.8
Danish Kroner	77.7	−6.4
Deutsche mark	122.1	+6.5
Swiss franc	132.9	+7.4
Guilder	112.7	+5.1
French franc	66.2	−16.5
Lira	45.5	−16.7
Yen	155.5	+11.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.776976	0.573856
U.S. $	7½	0.998808	0.735888
Canadian $	9.59	*	1.00635
Austria Sch.	4½	21.3864	15.7627
Belgian Fr.	5¼	61.2366	45.1836
Danish Kr	7	10.9244	8.06535
Dmark	4½	3.03686	2.24409
Guilder	5½	3.44969	2.52599
French Fr	5½	9.37289	6.84377
Lira	15½	1942.92	1432.78
Yen	5	248.805	183.457
Norway Kr.	0	8.76699	6.46111
Span'h Pta.	—	175.643	127.309
Swedish K.	11.5	8.8269	6.51978
Swiss Fr.	4	2.55813	1.88623
Greek Dr'ch	20½	134.439	98.9771
Irish Punt	13¾	0.973018	0.716892

*C$/SDR rate for June 3: 1.36451.

EXCHANGE CROSS RATES

June 4	Pound Sterling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.277	3.898	318.0	11.89	3.280	4.398	2485.	1.746	78.40
U.S. Dollar	0.783	1.	3.054	249.1	9.31	2.569	3.455	1947.	1.367	61.45
Deutschemark	0.257	0.328	1.	81.59	3.049	0.842	1.128	637.5	0.448	20.15
Japanese Yen 1,000	3.145	4.016	12.26	1000.	37.37	10.31	13.83	7814.	5.491	246.5
French Franc 10	0.841	1.074	3.279	267.6	10.	2.760	3.700	2091.	1.469	65.97
Swiss Franc	0.305	0.389	1.188	96.95	3.623	1.	1.341	757.6	0.532	23.90
Dutch Guilder	0.227	0.290	0.886	72.31	2.703	0.746	1.	565.1	0.397	17.83
Italian Lira 1000	0.402	0.514	1.568	128.0	4.783	1.320	1.770	1000.	0.703	31.55
Canadian Dollar	0.573	0.751	2.232	182.1	6.807	1.879	2.519	1423.	1.	44.90
Belgian Franc 100	1.276	1.629	4.971	405.6	15.10	4.184	5.609	3170.	2.227	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	13-13¼	8-8⅛	5⅞-10¼	5⅞-7	8-9¼	5⅛-5⅜	10⅛-10¼	15¼-14¼	8⅞-9⅛	8⅞-9⅛	5¼-6⅛	9¼-10
7 days' notice	12¾-13	7⅝-7⅞	9⅞-10¼	6⅞-7	1¾-2	5⅜-5⅝	15⅛-10¼	13⅝-15⅛	8¾-9	8¾-9	6⅛-6⅜	5½-10
Month	12⅞-12⅞	7⅛-7⅞	5⅜-2⅞	6¾-7⅞	4⅞-5⅛	5⅛-5⅝	10⅛-15¼	15⅝-14⅞	8¾-5	8¾-9	6¼-6⅛	5¾-15¼
Three months	12¼-12⅜	7⅛-7⅞	5⅜-5⅞	6¾-7⅞	4⅞-5⅛	6⅛-5⅝	10⅛-10⅛	13⅛-13⅞	8⅞-9⅛	8⅞-9⅛	6¼-6⅛	5⅛-9⅛
Six months	12-12⅛	7¾-7⅞	9⅞-5⅜	6⅞-6⅞	4⅞-5⅛	5⅛-5⅝	10⅛-10⅜	13⅛-13⅞	8⅞-5⅛	8⅞-9⅛	6¼-6⅛	9-9½
One year	11⅞-15	8¼-8⅜	9⅜-5⅞	6⅞-6⅞	4⅞-6⅛	5⅝-5⅝	10⅞-10⅞	13¾-14⅛	9¼-5⅛	9⅛-5⅛	6⅛-6⅜	5⅛-5⅛

Asian $ (closing rates in Singapore): Short-term 7 11/16-7 13/16 per cent; seven days 7 11/16-7 13/16 per cent; one month 7 11/16-7 13/16 per cent; three months 7 11/16-7 13/16 per cent; six months 7¾-7⅞ per cent; one year 8½-8⅝ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9⅞-10⅛ per cent; four years 10¼-10½ per cent; five years 10½-10¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Rates unmoved by money supply

The monthly money supply and bank lending figures to mid-May were well received by financial markets yesterday, but dealers were unsure whether a cut in clearing bank base rates was imminent. It was pointed out that a rise of 0.5 per cent in sterling M3, compared with 2.9 per cent in the previous month, still leaves the figure well above the official target range, while the increase of £1.4bn in bank lending, against £2.6bn to mid-April was in line with expectations. The fall of ¾ per cent in sterling M0, the narrowly based notes and coin data, was generally played down, although there was some expectation that the general improvement in all the figures might bring a small reduction in base rates.

UK clearing banks base lending rate 12¾-12¾ per cent since April 19

Three-month interbank finished unchanged at 12⅛-12¾ per cent, while discount houses buying rates for three-month bank bills eased to 11⅞ per cent from 11 15/16-11⅞ per cent, but showed no reaction to the figures.

The Bank of England forecast a money market shortage of £1,450m, but revised this to £1,400m, and provided total assistance of £1,438m, although only £104m was through outright purchases of bills, indicating the reluctance of the discount houses to part with high yielding paper ahead of the money supply figures, and the possibility of lower interest rates.

An early round of assistance was offered and at that time the authorities bought £10m bills outright in band 1 (up to 14 days maturity) at 12⅜ per cent. Another £6m bills were purchased before lunch, by way of £1m bank bills in band 1 at 12⅜ per cent, and £5m bank bills in band 2 (15-33 days) at 12¼ per cent. At the same time £7m bills were bought for resale to the market on July 4 at 12¼ per cent.

A total of £88m bills were purchased outright in the afternoon in bands 1 and 2 at unchanged rates. Another £305m were bought for resale on similar terms to the morning, and £762m for resale in equal amounts on June 11, 12 and 13 at 12⅜ per cent. Late assistance of around £260m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £540m, with the unwinding of repurchase agreements absorbing £398m, and Exchequer transactions another £590m. These outweighed a fall in the notes circulation of £35m and bank balances above target by £55m.

MONEY RATES

June 4	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	10¼	2⅞-3⅛	6⅝-6¾	6.56125	16⅛-15⅛	8.70	12¾-15
One month	5.60-5.70	10 1/16-10 3/16	5-5⅛	6¾-5⅞	6.54575	14⅞-15¼	8¾-8⅞	12⅝-12⅞
Two months	5.65-5.75	10⅛-10¼	—	—	—	—	—	15⅛-15¼
Three months	5.65-5.80	10⅛-10¼	5-5⅛	6⅝-6¾	6.28125	15-15¼	8⅞-9	12⅛-12¾
Six months	5.70-5.85	10 3/16-10 5/16	—	6⅝-6¾	—	—	8⅞-9	12⅛-12¾
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	07⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

June 4 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	10-16	13⅛-15¼	12¼-13½	10-12¾	—	—	—	—	—
2 days notice	—	—	12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¾-13⅛	12¾	13⅛-13¼	15⅝-12¾	—	—	—	—	—
One month	12⅝-12½	12 9/16-12 11/16	12⅝	12¾-12⅞	12¼	12	11 15/16	12⅛	11 15/16	15⅜
Two months	12 7/16-12 9/16	12⅝-12½	12⅜	12⅝	12⅛	11⅞	11 15/16	11⅞	11 15/16	12⅛
Three months	12 5/16-12⅛	12¼-12⅝	15¼	12⅛	12	11⅝	11⅞	11⅝	11 15/16	15¼
Six months	11⅞-11¾	12-12 3/16	12	—	—	—	—	11 7/16	11 7/16	11 15/16
Nine months	11 15/16-11 11/16	11⅞-15 1/16	—	—	—	—	—	—	—	—
One year	11¾-11⅝	11 15/16-15	11 15/16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13 3/16-13 1/16	—	12⅝	7.3-7.4	7⅝-7⅞	9¼-9⅛
Two months	13⅛-15⅝	—	12¼	7.55-7.45	7⅝-7⅞	5¼-9⅛
Three months	13-12¾	—	12⅝	7.45-7.55	7⅝-7⅞	9¼-9⅜
Six months	12¾-12½	—	12⅛	7.55-7.65	7¾-8	9¼-9⅜
Nine months	12⅝-12 7/16	—	12 1/16	7.95-8.05	—	—
One year	12 3/16-11 15/16	—	12	8.05-8.15	0-8¼	5⅜-9⅛
Two years	—	11¾	—	—	—	—
Three years	—	11 11/16	—	—	—	—
Four years	—	11⅝	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13½ per cent from May 1, 1985 London and Scottish Clearing Bank Rates for lending 12½-13¾ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-7.25 per cent (net). Treasury Bills: Average tender rate of discount 11.8015 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12¼ per cent; nine-12 months 12¼ per cent. Under £100,000 11½ per cent from May 14. Deposits held under Series 5 12¼ per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 4)

3 months U.S. dollars

bid 7 9/16	offer 7 11/16

6 months U.S. dollars

bid 7¾	offer 7⅞

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	8½-8¾
Fed funds	7 1/16
Fed funds at intervention	7 3/16

Treasury Bills

One month	2.90
Two month	7.05
Three month	7.02
Six month	7.13
One year	7.28

Treasury Bonds

Two year	100 17/32
Three year	102½
Four year	105 9/32
Five year	101 9/32
Seven year	106⅞
10 year	107 9/32
30 year	107 9/32

FINANCIAL FUTURES

Little change

Dealers described sentiment as good on the London International Financial Futures Exchange yesterday, although there was little overall change in prices. The bullish mood was encouraged by growing hopes of another cut of ½ per cent in the U.S. Federal Reserve discount rate and reductions in the prime lending rates of the commercial banks. September Eurodollars opened lower at 91.90, following an overnight rise in the New York Federal funds rate. Profit taking drove the contract down to a low of 91.83, and although Chicago opened weak Eurodollars closed little changed at 91.92, compared with 91.93 previously, after touching a high of 91.94. U.S. Treasury bonds showed a similar trend, closing unchanged at 77-27 for September delivery.

June gilts opened lower at 106-26, reflecting nervousness at a weakening of sterling, but at this level there was reported to be good buying by stockjobbers. The rise of ½ per cent in sterling M3 money supply, and £1.4bn in UK bank lending, was regarded as encouraging

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	92.39	92.39	92.34	92.39
Sept	91.92	91.94	91.83	91.93
Dec	91.46	91.47	91.38	91.47
March	91.07	91.05	90.98	91.09
June	90.74	90.70	90.69	90.76

Est volume 4,298 (—)
Previous day's open int — (—)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	87.72	87.77	87.69	87.71
Sept	88.53	88.65	88.50	88.59
Dec	88.87	88.96	88.87	88.91
March	89.00	—	—	89.01
June	89.05	89.05	89.05	89.06

Est volume 2,809 (—)
Previous day's open int — (—)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	106-30	107-11	106-23	106-30
Sept	110-22	111-01	110-21	110-25
Dec	110-29	—	—	110-31
March	110-17	—	—	110-19

Est volume 4,205 (—)
Previous day's open int — (—)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −10 to par (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.2795	1.2860	1.2756	1.2900
Sept	1.2665	1.2740	1.2660	1.2765
Dec	1.2545	—	—	1.2645

Est volume 498 (—)
Previous day's open int — (—)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3281	0.3289	0.3280	0.3276
Sept	0.3298	0.3307	0.3298	0.3292
Dec	0.3316	—	—	0.3316

Est volume 22 (—)
Previous day's open int — (—)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3905	—	—	0.3893
Sept	0.3923	—	—	0.3916

Est volume nil (—)
Previous day's open int — (—)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4018	0.4016	0.4016	0.4020
Sept	0.4031	0.4030	0.4029	0.4034
Dec	—	—	—	0.4041

Est volume 0 (—)
Previous day's open int — (—)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	133.35	133.45	132.15	132.19
Sept	133.90	133.90	132.80	132.80

Est volume 236 (—)
Previous day's open int — (—)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	78-23	78-28	78-15	78-15
Sept	77-27	78-00	77-14	77-24

Est volume 1,529 (—)
Previous day's open int — (—)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	78-25	78-30	78-09	78-21
Sept	77-27	78-00	77-11	77-23
Dec	76-28	77-02	76-15	76-24
March	76-01	76-03	75-21	75-30
June	75-07	75-09	74-29	75-03
Sept	74-17	74-17	74-11	74-12
Dec	73-28	73-28	73-21	73-23
March	—	—	—	73-05
June	—	—	—	72-20
Sept	—	—	—	—
Dec	71-29	71-29	71-17	71-24

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	93.00	93.00	92.96	93.04
Sept	92.90	92.82	92.74	92.82
Dec	92.47	92.48	92.42	92.48
March	92.15	92.15	92.11	92.17
June	91.85	91.85	91.82	91.87
Sept	91.59	91.59	91.57	91.61
Dec	91.36	—	91.36	91.39
March	91.15	—	91.15	91.17

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.70	92.72	92.65	92.71
Sept	92.28	92.28	92.18	92.24
Dec	91.80	91.80	91.71	91.77
March	91.41	91.41	91.31	91.38

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.37	92.38	92.31	92.38
Sept	91.91	91.92	91.80	91.89
Dec	91.44	91.45	91.32	91.42
March	91.06	91.05	90.93	91.02
June	90.70	90.70	90.60	90.68
Sept	90.41	90.41	90.32	90.40
Dec	90.13	90.13	90.07	90.13
March	89.88	89.88	—	89.87

STERLING (IMM) $ per £

	Latest	High	Low	Prev
June	1.2820	1.2830	1.2770	1.2846
Sept	1.2690	1.2700	1.2640	1.2710
Dec	—	1.2600	1.2540	1.2616
March	—	—	—	1.2265
June	—	—	—	1.2450
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	76-25	76-27	76-12	76-14
Sept	76-07	75-10	74-26	74-30
Dec	74-20	74-22	74-20	74-12
March	—	—	—	—
June	—	—	—	73-14
Sept	—	—	—	73-02

COMMODITIES AND AGRICULTURE

Dearer gas for Dutch glasshouse growers

By Laura Raun in Amsterdam

THE NATURAL gas price for Dutch glasshouse growers was raised by 2.5 Dutch cents to 45 cents per cubic metres yesterday in accordance with a European Commission order to remove an unfair price cut.

The Dutch Agricultural Board, the Gas Companies Association (Vegin) and the National Gas Utility (Gasunie) agreed, however, to cap the price at the 45-cent level until October 1 1986. The gas price may be adjusted downward quarterly on the basis of heavy fuel-oil prices for the preceding six months between October 1 1985 and October 1 1986. The ceiling price will be reviewed between October 1 1986 and October 1 1987 in the light of heavy fuel-oil prices.

The Dutch Government was ordered to raise the gas price by an unspecified amount after the Commission concluded that a price reduction last October 1 constituted unfair competition in favour of Dutch market gardeners. Without the concession to 42.5 cents per cubic metre, the gas price would have increased to 46.6 cents in the final quarter of last year.

Horticulturists in surrounding EEC member countries such as Belgium, West Germany and the UK argued that the price concession gave their Dutch counterparts an unfair advantage. The Commission agreed, and its order to raise the price was upheld recently by the European Court in the face of an appeal by the Dutch Government. The Netherlands contended that the gas charge was a realistic level and that price had been agreed between two private parties, the horticulturists and Gasunie.

Gas prices for Dutch market gardeners have been a bone of contention between the EEC and the Netherlands since 1991. In 1982 the Dutch agreed to link gas prices for horticulturists to those for industrial users, which were coupled with heavy fuel-oil prices. Last year this coupling was undone, allowing market gardeners' prices to fall faster than those for industrial users.

Opec decision to meet hits oil

BY DOMINIC LAWSON

WORLD OIL prices continued to fall yesterday, in the wake of the decision by the Organisation of the Petroleum Exporting Countries (Opec) to hold an emergency meeting in Geneva on June 30.

June shipments of Brent, the main UK crude oil were traded as low as $26.75 a barrel, a fall of 10c from the worst levels seen on Monday. June Brent started the week at $27.10.

The British National Oil Corporation (Bnoc) yesterday began telephoning its suppliers with an offer of $26.65 for a barrel of Brent production in June. This represents a cut of $1.25 *from* the price Bnoc paid for its May supplies.

Previously such a cut by Bnoc would have a significant effect on the world oil market, but *the state oil trader has* rapidly wound down its liftings of UK crude since the Government announced that the corporation is to be abolished. Bnoc is now thought to be lifting no more than about 300,000 barrels a day of crude.

The markets are more concerned with Opec and in particular fears that Saudi Arabia which had been contracting its supplies drastically to hold the line on prices, has come to the end of its tether. The Saudis will push for a cut in the price of heavy crude at the forthcoming emergency Opec meeting, but this step will be fiercely opposed by light crude producers such as Libya and Algeria, who wish to maintain their competitive advantage.

The outspoken Dr Mana Saeed Al Otaiba, the United Arab Emirates oil minister, yesterday conceded that the world oil market was "never so difficult." But Dr Otaiba's preferred solution of further lowering Opec's production ceiling is most unlikely to be welcomed by Opec members outside the Gulf, which have large populations and onerous debt repayment schedules.

In contrast to Opec's pessimism, the chairman of British Petroleum, Sir Peter Walters, yesterday told the International Monetary Conference in Hong Kong that he was more optimistic than at any time in the past five years over the prospects "for an assured future for oil."

Latin American exporters seek U.S. sales boost

BY WILLIAM ORME IN MEXICO CITY

THE GROUP of Latin American and Caribbean Sugar Exporting Countries (Geplacea) is devoting a large part of its strategy meeting here this week to its attempt to persuade the U.S. to liberalise its import quota system.

Delegates regard this as their best hope of arresting the slide in world prices which has resulted in many of the region's *70 major refineries being faced* with bankruptcy.

With sugar prices hovering just above 3 cents a pound the Western hemisphere exporters say they expect to collect barely $1bn from sugar sales this year. By contrast, in 1980 when prices peaked at an average 36 cents a pound, group members earned $44bn from exports, noted Sr Eduardo Latorre, the organisation's chairman. Production costs meanwhile, have *risen* to

Ideally, Geplacea leaders say, the goal is to establish a price stabilising accord between producers and consumers, similar to that of the International Coffee Organisation. Few expect this to be achieved soon however.

● Creditors of the long-troubled Great Western Sugar Company, owned by the Hunt Brothers, have announced that they will forfeit 28,000 tonnes of sugar to the U.S. Government, writes Nancy Dunne in Washington. They are expected to forfeit another 110,000 tonnes a month from now

Cocoa pact extension backed by producers

By Our Commodities Staff

ABIDJAN — The Cocoa Producers' Alliance (CPA) backed a one-year extension of the current international cocoa pact and examined means of supporting prices at a meeting in the West African island state of Sao Tome and Principe last week.

Delegates from all 11 alliance members discussed the abortive talks on a new international pact held in Geneva last March and expressed the hope that next month's International Cocoa Organisation meeting in London would result in new pact negotiations between producers and consumers.

The current pact, whose buffer stock price support provisions were suspended in 1982 when it ran out of finance, is due to expire at the end of September.

Weekly metals

All prices as supplied by Metal Bulletin

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,750-2,850.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.85-5.15.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.73-0.78, sticks, *0.78-0.83*.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.30-11.40.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 286-294.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.65-3.75.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.85-7.35.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 61-67.

VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.25-2.30.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 14.25.

Cloves glut leaves a sour taste

A special correspondent looks at a problem of plenty in the spice industry

GLOOM IS deepening among the small band of nations which produce cloves, faced with a glut of supplies and a persistent slide in prices which has halved their value in the last two years.

Despite shortfalls in Indonesian production and the loss to bad weather of valuable Indian Ocean stocks, cloves look likely to remain in a buyers' market for the foreseeable future, according to experts in Rotterdam, the hub of the trade.

In March 1983 cloves were offered at more than £6,000 a tonne. But they have been drifting steadily downwards ever since, reaching £3,250 a tonne last week. One big Rotterdam dealer in the spice has warned that prices will continue to slide as producers, strapped for cash with which to pay for imports, compete for a world market estimated at no more than 8,000 tonnes, excluding Indonesia's sizeable domestic needs.

Indonesia requires between 30,000 and 35,000 tonnes per year to satisfy the country's expanding kretek cigarette industry, which uses cloves for flavouring. A rapid planting programme in the 1970s made it self-sufficient two years out of three, although poor flavour retention and high oil content render locally-grown cloves less suitable for cigarette production than imported varieties.

Indonesia's withdrawal as an importer had a *serious impact* upon both the Malagasy and Zanzibar economies, while the Comoros Islands, still a comparatively minor producer at 750 tonnes, in 1984, was able to weather the crisis because of traditional sales of the luxury spice to France.

Madagascar lost exports valued at $50m in 1983 and was later compelled to barter stockpiles estimated at 10,500 tonnes for East German engine parts, salvaging less than a quarter of its clove earnings of 1982. Zanzibar, which is entirely dependant upon clove sales for foreign exchange and once monopolised the quality cloves market, was forced to finance its substantial food import requirement through borrowing, while $24m worth of the crop gathered dust.

Meanwhile, another new producer, Brazil, entered an already overcrowded market and last year dumped 3,000 tonnes of low-grade, grinding cloves at prices up to $500 per tonne less than other major growers.

Clove harvests proceed in a three year cycle of good, medium and poor years. In 1984, Indonesia's production fell back to approximately 25,000 tonnes, forcing her back to her old suppliers. In February, according to a UN relief team, cyclones destroyed some 40 per cent of the clove trees on Anjouan, the main producer island in the Comoros. But neither of these developments are likely to halt the slide.

Worldwide stocks last October, including those held in Rotterdam stores, were estimated at 31,000 tonnes bu in December, Madagascar announced a record harvest of 15,000 tonnes.

Zanzibari producers, buoyed by increases in growers' prices to more than $1 a kilo, exceeded their own forecast with a harvest of 7,625 tonnes to add to the 6,000 still unsold from the previous year. With such abundant supplies available, Indonesia, and other buyers like India, Singapore and the countries of the West, can afford to relax.

The Indian Ocean producers are chronically dependant upon imports of rice and Zanzibar alone requires 40,000 tonnes per year to feed its 500,000 inhabitants. Madagascar, in the throes of a structural adjustment programme, that has won the confidence of investors, still spends up to a quarter of its foreign exchange on food, though imports have begun to inch down from the *350,000-tonne peak of 1982.*

Despite the glut of rice and wheat, prices have continued to rise, with the Comoros Islands reporting a 19 per cent increase in expenditure on rice without any significant increase in import volume. A ton of cloves, meanwhile, which would have purchased 29 tonnes of rice in 1982, can now only secure 11 tonnes.

For political reasons, few producer countries will entertain the implications of an interruption in rice supply and so in coming months, price-cutting and barter will be the trend in the cloves trade. While Zanzibar is believed to have refused an offer of $3,825

While Zanzibar is believed to have refused an offer of $3,825 a tonne for some 1,100 tonnes last December, Brazil, with less to lose from diminished receipts, accepted $3,300 a tonne. Zanzibar finally bartered 6,000 tonnes of its 1984 crop with Indonesia for $3,100 a tonne. The island will receive rice, wheat-flour and bitumen in the exchange, which is clearly *an attempt* to woo back the Indonesians.

With earnings on the wane and de-luxe, low-oil, Zanzibari cloves selling for the same price as *common grinding* cloves, Indonesia could well succumb for a few seasons, thus providing its consumers with a more satisfactory smoke.

In the face of such a grim outlook for producers, only a concerted cutback in production could stabilise prices.

But this seems further away than over. The glut comes at a time when both Madagascar and Zanzibar have embarked on extensive rehabilitation programmes, backed by higher producer prices, free sacks and seedlings.

Both countries are aware of the need for diversification, but both have few alternative options, apart from fisheries and tourism.

If the price continues to fall, it will begin to look like Madagascar and Zanzibar have been throwing good money after bad.

Krugerrand fears help Canadian coin

BY BERNARD SIMON IN TORONTO

THE THREAT of a U.S. ban on imports of South African Krugerrand gold coins has significantly *lifted* demand for the Krugerrand's main competitor, the Canadian Maple Leaf.

Mr James Corkery, master of the Royal Canadian Mint in Ottawa said that Maple Leaf sales so far this year are about one-third higher than in 1984. He estimated that the Maple Leaf's share of gold coin purchases in the U.S.—the biggest market for both the Canadian and South African coins—has grown from 30-40 per cent to almost 50 per cent in the past year. A total of 1m Maple Leafs was sold in 1984.

Mr Alan Posnick, assistant vice-president at the New York precious metals company Manfra, Tordella and Brookes, confirmed that sales of one-ounce Malpe Leafs and Krugerrands are now roughly at parity.

According to Miss Christine Dahl, head metals trader at Deak Perrera International in New York, "people are getting a little nervous at the possibility of restrictions on imports of Krugerrands. A lot of people are interested in trading Krugerrands in for Maple Leafs."

The U.S. House of Representatives was yesterday considering anti-apartheid legislation which includes a ban on future Krugerrand imports and there are moves in the Senate to launch a U.S. gold coin in competition with both the Maple Leaf and Krugerrand.

The Maple Leaf has received a boost from the reluctance of distributors in several countries to advertise Krugerrands openly.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	842	—3	—
3 months	860.5	—01	865-847

Official closing (am): Cash 828-9 (820-1) three months 850-1 (842-5), settlement 825 (821) Final Kerb close, 864-5. Turnover, 21100 tonnes

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1127.5	—8.5	1100.1105
Three months	1138	—8	1142/1119

Official closing (am). Cash 1123.5-4.5 (1112.5-3), three months 1134-.5) (1120.5-21) settlement 1124.5 (1113). Final Kerb close. 1141-2.

Cathodes			
Cash	1120	—6	1117/1117
Three months	1125	—7	1120.1120

Official closing (am): Cash 116-7 (1105-6) three months 1120-1 (1108-9), settlement 1117 (1106). Turnover 18975 tonnes U S Producer prices 67.71 cents per pound

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	295.5	—8.5	298.5/298
3 months	301.5	—0.2	308.307

Official closing (am): Cash 298.5-6 (292.5-3.5), three months 302-.5 (297-.5) settlement 293 (293.5) Final Kerb close 300-02 Turnover 6825 tonnes U S Spot 19.21 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	£4370	—5	4351/4350
3 months	£4335	—40	4360/4305

Official closing (am): Cash 4345-5 (4335-40). three months 4320-5 (4300-5), settlement 4350 (4340) Final Kerb close 4320-30. Turnover: 1320 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	£9520	—5	9530/9500
3 months	£9475	—82	9455/9445

Official closing (am): Cash 9500-1 (9450-5), three months 9455-60 (9403-5), settlement 9510 (9455).

Standard			
Cash	9620	—5	—
3 months	9470	—80	9520/9445

Official closing (am): Cash 9495-50 (9440-5), three months 9450-5 (9403-5), settlement *9500 (9445)* Final Kerb close. 9485-89 Turnover: 385 tonnes. Straits tin M$29.26 kilo.

ZINC

	Official close (p.m.) £ per tonne	+ or —	High/low
Cash	597	—8	—
3 months	608	—5	810/606

Official closing (am): Cash 593-5 (585-5), three months 605.5-6 (605-6), settlement 595 (596) Final Kerb close 614-9 Turnover 7925 tonnes U.S Prime Western: 45.5/47.5 cents per pound

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	June 4 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1065/115	...	$1150/180
Copper			
Cash h Grade	£1129	+15.0	£1338
3 mths	£1138.0	+17	£1227.5
Gold troy oz	$310.75	—0.75	$314.5
Lead Cash	£298	+4.0	£514.25
3 mths	£301.75	+4	£310.05
Nickel			
Free Mkt	250/280c	......	245/275c
Palladium oz	$99.80	......	$119.00
Platinum oz	$268.10	...	$270.50
Quicksilver†	$290 300	....	$285/295
Silver troy oz	474.60p	—4.30	509.15p
3 mths	488.70p	—4.65	594.45p
Tin cash	£9089.0	+87.5	£9090
3 mths	£9477.5	+66	£9647.5
Tungsten	$79.03	......	$74.50
Wolfram 22 04lb	$40/166	......	$68/71
Zinc	£597.5	+5.0	£718
3 mths	£608.25	+9.75	£715
Producers	$860	......	$860

OILS	June 4 1985	+ or —	Month ago
Coconut (Phil)	$615x	......	$780
Palm Malayan	$575	......	$685
SEEDS			
Copra Phil	$475y	......	$470
Soyabean (U.S.)	$251.25w	......	$243.5
GRAINS			
Barley Fut. Sep	£97.95	......	£99.00
Maize	£147.50	......	£100.50
Wheat Fut Sept	£98.15	......	£103.50
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. July	£1735.5	......	£1846.0
Coffee Ft. July	£2079.0	+10	£2196.5
Cotton A Index	63.60c	...	66.00c
Gas Oil July	$214.75	...	$210
Rubber (kilo)	64p	...	66.25p
Sugar (raw)	$88v	......	$86
Wooltops 64s	460pkilo	......	475pkilo

‡ Unquoted. x May-June v June-July. w Sept. y July. † Per 76-lb flask c Cents per pound.

INDICES

FINANCIAL TIMES

May 31	May 30	M'th ago	Year ago
279.98	280.14	298.30	319.49

(Base: July 1 1952 = 100)

REUTERS

June 4	June 3	M'th ago	Year ago
1776.0	1792.0	1884.9	1967.0

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 15	M'th ago	Year ago
921.9	923.01	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	May 30	May 29	Month ago	Year ago
Spot	117.63	118.23	—	141.70
Fut.	110.44	120.27	—	140.80

(Base: December 31 1974 = 100)

GOLD

Gold fell just $¾ an ounce from Monday's close in the London Bullion market yesterday to finish at $315½-$318 The metal opened at $316¼-$316¾ and traded between a high of $316¾-$316¾ and a low of $315-$315¾. Trading was extremely quiet and featureless as shown by the very narrow range on the day. There were no fresh influences on the market with the dollar confined to a narrow range.

GOLD BULLION (fine ounce) June 4

Close	$310½-310	(£246¾-247¼)
Opening	$310¼-316¼	(£246½-247)
M'n'g fix.	$310.25	(£245.720)
Aft'n'n fix.	$310.65	(£245.795)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$325½-320¼	(£204½-255½)
½ Krug.	$167½-168¼	(£131-131½)
¼ Krug.	$85¼-86	(£60¾-07¼)
1/10 Krug.	$44¼-35¼	(£27¼-27½)
Mapleleaf	$320½-326½	(£254½-255¼)
New Sov.	$74¾-75¼	(£58½-58¾)
½ New Sov	$45-40¾	(£35¼-35¾)
Old Sov.	$70-77½	(£59½-60¾)
$20 Eagle	$450-490	(£356-383½)
Noble Plat	$278½-281½	(£210½-210)

SILVER

Silver was fixed 4.8p an ounce lower for spot delivery in the London bullion *market yesterday at 474.6p.* U S cent equivalents of the fixing levels were, spot 810.8c, down 10.1c; three-month 622.1c, down 10.5c; six-month 634.2c, down 11c; and 12-month 661c, down 12.2c The metal opened at 477-480p (612-615c) and closed at 476½-479½p (608-612c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	474.60p	—4.30	478.0p	—
3 months	488.70p	—4.65	493.85p	—
6 months	500.40p	—5.05	—	—
12 months	526.60p	—5.65	—	—

LME—Turnover: 25 lots of 10,000 oz.

Three months high/low 493.5, final kerb 491.5-3.5.

FREIGHT FUTURES

The market declined further, with October reaching a new low of 905.0. Trade selling in the morning sparked off long liquidation, which was evident throughout the remainder of the day, reports Clarkson Wolff. The Baltic Freight Index was 829.5, down 1.5.

	Close	High/Low	Prev.
July	979/880	884/879	884/885
Oct.	905/905	917.5/905	910/917
Jan.	902/903	910/902	909/918
April	985/990	—	1000/1005
July	900/970	—	910/935
Oct.	965/975	—	946/980
Jan.	950/1030	—	980/1010
April	1050/1130	—	1060/1100

Turnover: 183.

GRAINS

July wheat came under further long liquidation to reach a contract low before rallying late in day on profit-taking New crop wheat rose slightly remained around unchanged levels, but failed to follow through and Barley was a touch steadier in dull trading, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
July	110.80	—	—	—
Sept.	98.25	—	97.95	—
Nov.	101.55	—	101.65	—
Jan.	105.30	—	105.15	—
Mar.	108.60	—	108.80	—
May	110.10	—	110.85	—

Business done—Wheat: July 116.80-0.05, Sept 98.20-8.05, Nov 101.60-1.45, Jan 105.40-5.25, Mar 108.65-8.45, May 112.25-1.95. Sales 343 lots of 100 tonnes Barley: Sept 97.90-7.80, Nov 101.55-1.45, Jan 105.05 only, Mar untraded. May 110.90 only. Sales: 25 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent July 140.25, Aug 139.10, Sept 137.25, Oct 139.85 sellers transhipment east coast. U.S no 2 soft red winter July 122.00, Aug 125.25, Sept 127.25, Oct 128.25 sellers EC harvest 115 quoted. English feed fob June 120.50, Oct/Dec 104, Jan/Mar 110 sellers. Maize: U.S. no 3 yellow/French transhipment east coast June 147.50 sellers. Barley: English feed fob June 117, Aug 98, Oct/Dec 104.50, Jan/Mar 110.50 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 110.50, S West 111.70, W. Mids 111.10. The UK monetary coefficient for the week beginning Monday June 10 (based on HGCA calculations using five days' exchange rates) *is expected to remain* unchanged.

COCOA

Following a steadier opening futures eased in a quiet market before rallying during a flurry of activity on the closing call, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1746-1747	—	1756-1725
Sept.	1735-1736	—	1749-1718
Dec.	1721-1729	—	1722-1705
Mar.	1737-1740	—	1741-1721
May	1746-1750	—	1752-1748
July	1757-1759	—	1759-1756
Sept.	1764-1774	—	—

Sales: 2,975 lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound) Daily price for June 4: 95.40 (95.79); five-day average for June 5: 95.75 (95.83).

COFFEE

Despite lower sterling robusta prices failed to register significant gains when met by trade hedge selling, reports Drexel Burnham Lambert. Although there was persistent buying from U.S. operators as the sterling rate eased, values remained under pressure until the close.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2034-38	+14.5	2038-25
Sept.	2076-80	+10.0	2090-73
Nov.	2125-24	+10.3	2155-18
Jan.	2165-67	+15.0	2167-54
March	2155-60	+20	—
May	2137-55	+21.0	—
July	2100-50	+05.0	—

Sales: 2,572 (1,128) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for June 3 Comp daily 1979 131.74; 15-day average 131.65.

SUGAR

LONDON DAILY PRICE—Raw sugar $88.00 (£68.50) a tonne for June-July delivery. White sugar $138.00.

The market appeared to be devoid of buying interest at overnight levels and losses of $3 were recorded before support was uncovered, reports C. Czarnikow.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Aug.	89.2-89.8	—	90.0-90.4
Oct.	93.2-93.6	—	95.8-93.0
Dec.	99.6-100.6	—	105.2-100.8
Mar.	113.0-114.8	—	118.0-114.0
May	117.6-118.0	—	121.4-118.6
Aug.	124.0-124.8	—	128.8-126.4
Oct.	128.0-150.0	—	130.0

Sales: 3,215 lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £172.50 a tonne for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean ports.) Prices for June 3: Daily price 2.79; 15-day average 2.81.

SOYABEAN MEAL

	Yesterday close £ per tonne	+ or —	Business Done
June	110.8-111.8	—	110.5
August	109.8-109.8	—	109.5-108.2
October	113.6-113.8	—	113.8-112.0
Dec	118.5-118.7	—	118.2
Feb.	123.5-125.5	—	—
Apr.	124.8-126.8	—	—
June	124.5-128.5	—	—

The market opened slightly easier in light trade, reports T. G. Roddick. Prices remained in a narrow range throughout the day.

Sales: 388 lots of 20 tonnes.

OIL

Traders saw the spot crude market as *fundamentally weak.* Brent traded actively at *declining prices.* Nymex opened 18c down for July and traded 4c down at 1 pm EST. In the petroleum products market good supply and low end-user demand further weakened gas oil prices. High sulphur *fuel prices* were stable with sellers resistant to lower levels despite the absence of buyers—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	26.60-26.70	—0.075
Arab Heavy	25.10-25.20	—
Dubai	25.65-25.40	—0.40
Brent Blend	26.75-26.80	—0.10
W.T.I. (1pm est)	27.40-27.50*	—
Forcados (Nigeria)	26.50-26.60	—0.10
Urals (cif NWE)	25.80-26.00	—0.10

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	266-268	—
Gas Oil	215-210	—1.0
Heavy fuel oil	125-130	—

* July

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
June	215.75	—	217.00-15.75
July	214.75	—	215.00-13.75
Aug	210.25	—	217.00-16.20
Sep	218.20	—	218.75
Oct	220.50	—	220.50
Nov	222.50	—	—

Turnover: 1,112 lots of 100 tonnes.

POTATOES

Interest in all positions was thin and values eased slightly, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	64.30	—	64.20-64.20
Feb.	73.60	—	—
Apr.	84.90	—	85.00-84.60
May	01.50	—	—

Sales: 49 lots of 40 tonnes.

PIGMEAT

Prices firmed slightly on short-covering on the spot position ahead of expiry on Thursday, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
June	108.00	—	108.50
Aug.	100.80	—	—
Oct.	100.00	—	—
Nov.	106.10	—	106.00
Feb.	98.80	—	—
April	99.00	—	—

Sales: 28 lots of 0 carcases, 3,250 kg.

MEAT

MEAT COMMISSION—Average fat stock prices at representative markets. GB—Cattle 98.15p per kg lw (−1.10). GB—*Sheep 198.25p per kg est dcw* (+1.33). GB—Pigs 78.07p per kg lw (−1.56).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 77.0 to 82.0; English hindquarters 94.0 to 97.0, forequarters 52.0 to 54.0; *Ulster hindquarters* 84.0 to 96.0. Veal: Dutch hinds and ends 138.0 to 144.0. Lamb: English small 90.0 to 96.0, medium 88.0 to 92.0, heavy 86.0 to 88.0; Imported: New Zealand PL 65.5 to 67.0, PX 64.5 to 66.0. Pork: *English* under 100 lb 49.0 to 57.0, 100-120 lb 51.0 to 54.5, 120-160 lb 42.0 to 46.0.

RUBBER

PHYSICALS—The *London* market opened slightly steadier, attracted covering interest throughout the day and closed on a quietly steady note, reports Lewis and Peat. Closing prices (buyers) spot 64.00p, July 67.00p; *August 67.25p The Kuala Lumpur fob price for RSS No 1 was 67.00p*; cents a kg sed for SMR 20 was 178.5.

U.S. MARKETS

HEATING OIL declined as traders' expectations continued to lean towards the probability of lower crude prices, reports Heinol Commodities. The uncertainty surrounding the special Opec meeting was interpreted as indicative of Opec's inability to hold the benchmark prices. Maize and the soyabean complex traded marginally lower on local and commercial selling. *Wheat prices rallied on* expectations of an export payment-in-kind programme to be announced later in the day as well as on heavy rains in the hard winter wheat harvest areas. Precious metals came under modest pressure in response to concerns over oil prices along with strength to the dollar. Copper firmed in response to labour disruption in Zambia along with reports of Far East buying interest. Sugar came under pressure from growing concerns over the large build-up in open interest. Cocoa prices drifted lower reflecting good availability *of* nearby cocoa. Coffee continued under pressure on the lack of a freeze threat along with the well covered position of roasters.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	47.25	—	—	47.00
July	47.55	47.75	47.45	47.35
August	47.65	—	—	47.65
Sept	45.20	48.30	48.20	48.00
Dec	49.25	48.30	49.15	49.05
Jan	49.50	—	—	48.40
March	50.25	—	—	50.05
May	50.95	—	—	50.75
July	51.65	—	—	51.48
Sept	52.35	—	—	52.15

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	2058	2068	2053	2076
Sept	2050	2037	2024	2060
Dec	2016	2017	2005	2025
March	2025	2029	2023	2040
May	2038	—	—	2053
July	2043	—	—	2063

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
July	142.97	44.75	42.90	44.50
Sept	143.94	45.70	43.90	45.83
Dec	144.04	45.60	44.01	45.50
March	143.23	44.25	43.25	44.50
May	142.28	—	—	42.75
July	141.76	—	—	42.88

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	60.75	60.85	50.20	59.65
July	61.10	61.20	60.25	60.10
August	61.55	—	—	60.50
Sept	62.00	62.10	61.15	61.05
Dec	63.00	63.10	62.20	62.05
Jan	63.25	—	—	62.30
March	63.50	63.60	63.75	62.00
May	64.25	63.60	63.60	63.35
July	64.70	64.50	64.00	63.60
Sept	65.15	64.60	64.00	64.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	63.49	63.55	63.00	62.84
Oct	61.90	62.05	61.65	61.40
Dec	62.55	62.85	62.72	61.86
March	63.75	63.75	63.37	63.08
May	64.25	64.20	63.85	63.60
July	64.35	64.30	63.90	63.88

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
July	27.45	27.50	27.30	27.48
August	26.83	26.90	26.75	26.93
Sept	26.47	26.58	26.44	26.62
Oct	26.32	26.38	26.28	26.44
Nov	26.11	26.18	26.08	26.28
Dec	26.90	26.95	25.82	26.06
Jan	25.71	25.75	25.70	25.89

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	315.0	316.7	315.0	317.0
July	317.2	310.0	315.0	318.6
August	310.1	318.9	317.0	320.2
Oct	322.8	323.4	322.0	324.0
Dec	326.0	327.0	325.0	328.0
Feb	331.0	332.0	331.9	332.3
April	335.3	—	—	338.0
June	340.0	—	—	341.3
August	344.8	—	—	346.2
Oct	349.6	—	—	351.1
Dec	354.8	356.0	355.5	356.4
Feb	360.4	—	—	362.1
April	366.2	—	—	368.0

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
July	70.60	71.00	70.40	71.08
August	70.60	71.05	70.31	71.26
Sept	71.10	71.55	70.90	71.83
Oct	71.85	72.30	71.75	73.40
Nov	72.50	72.80	72.50	73.40
Dec	73.25	73.60	72.00	74.65

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	141.00	42.50	41.25	42.90
Sept	138.85	40.00	39.00	40.50
Nov	139.20	39.25	38.65	40.10
Jan	138.80	38.80	38.30	39.75
March	138.50	39.00	39.00	39.45
May	138.60	—	—	39.75
July	138.60	—	—	39.75
Sept	138.60	—	—	39.75
Nov	138.60	—	—	39.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	266.9	—	—	270.0
July	267.0	270.5	266.0	271.0
Oct	272.4	275.1	270.0	276.3
Jan	277.4	280.5	277.0	281.3
April	282.4	284.5	282.0	286.3
July	291.5	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	609.0	613.0	606.5	615.7
July	613.5	610.0	612.0	619.0
August	619.7	—	—	622.7
Sept	621.0	626.0	610.0	626.5
Dec	634.0	636.5	630.0	638.5
Jan	639.9	—	—	642.9
March	645.8	649.0	648.5	651.2
May	654.6	—	—	660.2
July	654.4	665.0	665.0	669.8
Sept	674.6	—	—	680.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.93	3.01	2.92	3.04
Sept	3.06	3.14	3.06	3.20
Oct	3.12	3.28	3.11	3.32
Jan	3.62	3.68	3.61	3.73
March	4.01	4.15	4.00	4.20
May	4.23	4.34	4.23	4.39
July	4.45	4.56	4.44	4.59
Sept	4.56	—	—	4.72
Oct	4.73	4.83	4.73	4.00

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	59.10	59.70	58.82	60.12
August	61.90	62.50	61.55	62.92
Oct	62.22	62.60	61.70	62.87
Dec	63.45	63.75	62.96	63.90
Feb	64.40	64.50	63.95	64.77
April	65.35	65.45	64.95	65.80
June	66.45	66.45	66.20	65.80

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	47.07	47.90	46.97	48.47
July	50.32	51.45	50.32	51.82
August	49.87	51.05	49.82	51.32
Oct	46.82	47.10	46.80	47.37
Dec	47.80	48.07	47.80	48.27
Feb	47.70	48.75	48.42	48.75
April	45.25	45.90	45.25	46.00
June	48.22	48.25	47.90	48.25
July	48.90	48.90	48.85	49.00

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	273.6	274.0	273.4	274.2
Sept	256.2	256.0	255.6	257.2
Dec	252.0	252.4	251.0	252.6
March	261.2	261.4	260.0	261.6
May	266.4	266.4	264.6	266.8
July	266.4	266.4	265.0	266.4
Sept	252.2	252.2	252.0	253.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	66.42	67.70	66.42	68.42
August	65.92	67.20	65.92	67.92
Feb	71.37	72.46	70.95	72.82
March	71.40	71.40	70.75	72.70
May	72.40	72.40	71.70	73.70
July	73.00	73.00	72.70	73.65

SOYABEAN 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	562.4	564.0	560.0	564.4
August	554.4	556.0	552.4	557.2
Sept	549.0	551.0	546.4	552.4
Nov	552.2	554.2	548.4	554.8
Jan	561.0	563.2	558.0	564.0
March	571.9	572.4	569.0	574.4
May	579.0	581.0	577.9	582.0
July	584.0	585.4	582.0	587.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	118.9	119.3	118.1	119.7
August	121.9	121.9	121.1	122.7
Sept	124.0	124.0	124.0	125.5
Oct	127.5	127.7	126.8	128.3
Dec	132.7	132.8	131.0	133.3
Jan	135.2	135.3	134.5	136.0
March	139.1	140.0	139.1	140.0
May	143.0	143.0	143.0	144.0
July	147.2	147.8	147.2	148.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	29.92	30.03	29.72	30.07
August	28.62	28.70	28.50	28.71
Sept	27.88	27.60	27.45	27.75
Oct	26.50	26.63	26.40	26.60
Dec	25.48	25.80	25.45	25.63
Jan	25.01	25.10	25.00	25.17
March	25.00	24.70	24.55	24.75
May	24.26	24.30	24.20	24.30
July	23.96	24.05	23.95	24.00

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	319.2	320.0	310.4	318.0
Sept	321.4	322.0	318.4	319.0
Dec	329.3	331.0	327.2	328.0
March	331.4	331.4	329.2	330.0
May	319.0	—	—	318.2
July	302.4	303.0	301.0	300.6

SPOT PRICES—Chicago *loose lard* 19.00 (same) cents per pound. New York tin 559.0-62.0 (561.0-66.0) cents per pound. Handy and Harman silver bullion 608.5 (607.0) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 630.0, 634.0, nil; Oct 625.0, 630.0, 626.5-626.0; Dec 626.0, 630.0, nil; Mar 631.5, 633.0, 633.0-632.5; May 638.0, 650.0, nil; July 642.0, 650.0, nil; Oct 818.0, 650.0, nil; Dec 620.0, 660.0, nil Sales: 9.

LONDON *NEW ZEALAND CROSS-BREDS*—Close (in order: buyer, seller, business) New Zealand cents per kg Aug 535, 537, 535-534; Oct 537, 538, 538; Dec 536, 537, 536; Jan 536, 538, 38-537; Mar 543, 547, 546, May 552, *554, 553-552;* Aug 564, 568, nil; *Oct* 564, 567, 566; Dec 564, 568, 567. Sales: 35.

HIDES

HIDES—Birmingham (Manchester). Second clears. Ox: 31-35.5 kg, 90.0p a kg withdrawn (94.8p withdrawn); 26-30.5 kg, 105.7p a kg (105.0p); 22-25.5 kg, 116.0p a kg (119.1p). Cows: under 25.5 kg, 112.1p a kg withdrawn (118.0p)

COTTON

LIVERPOOL—Spot and shipment sales amounted to 19 tonnes Minor contracts were under review but support was mentioned in Australian styles.

PARIS

SUGAR—(FFr per tonne): Aug 1270-1275, Oct 1284-1286, Dec 1202-1215, March 1355-1361, May 1400-1415, Aug 1470-1485.

COCOA—(FFr per 100 kg): July 2030-2080, Sept 2023-2025, Dec 1998-2003, March 2026-2040 May 2040 bid, July 2040 bid, Sept 2040 bid.

ROTTERDAM

WHEAT—(U.S $ per tonne): U.S two soft red winter July 139, Aug 142, Sept 145, Oct 145 sellers U.S. two northern spring 14 per cent protein spot 171, June 1-15 169, June 168.50, July 164.50, Aug 162, Sept 159.50, Oct 162, Nov 165, Dec 167.50 sellers. U.S northern spring 15 per cent protein June 179.50, July 175, Aug 172.50, Sept 170, Oct 172.50 sellers. U.S. three hard amber durum June 174, July 172, Aug 170, Sept 163, Oct 167, Nov 170 sellers.

EGYPT

Urgently needed reforms, falling national income and massive investment requirements will prove a formidable test for a new government economic team

President Hosni Mubarak has become more active in economic policy and is now a more visible leader

Contents

Country at the crossroads

By Tony Walker

PRESIDENT Hosni Mubarak of Egypt is at a crossroads in his administration. Deteriorating economic circumstances, mostly outside Egypt's immediate control, threaten past achievements. The next 12 to 18 months are likely to prove a significant test.

Egypt's main sources of foreign exchange — oil and remittances from expatriata workers, are being squeezed by the worldwide recession. The country is short of hard currency and will have to make do with even less at an important moment in its development requiring massive investment in plant and urban renewal.

Mr Mubarak has the task of persuading Egyptians to accept a period of austerity. Price increases are unavoidable except at the cost of further undermining a shaky economy.

Mr Mubarak is well into the fourth year of his presidency and more critical judgments are being made about his performance. He is given credit for healing the wounds of the turbulent Sadat years, but more is expected of him than a demonstration of powers of reconciliation.

The president has shown he is conscious of these expectations. He has become more actively engaged in economic policy and drawn closer to the new team of ministers involved.

He is now a more visible leader. His aim, it appears, is to show concern about the economy. Critics would say this is none too soon.

There are subtle signs that he is becoming a more populist figure. His May Day address showed a confident and assertiva president, who on occasions displayed flashes of humour. The edges of a dour image may be softening.

A watershed may have been the muddle over attempted reforms of the exchange rate system, which ended in failure after weeks of confusion and contributed to the downfall of Mr Mustapha Said, the former Minister of the Economy.

Damaging

Mr Mubarak sought to answer criticism that he had delayed too long in removing Mr Said. The president's reasons were honourable, based on not wanting to prejudge the reforms before they were given a chance, but the episode left the impression of indecision.

This episode has been damaging for Egypt at a time when it can ill afford it. Investor confidence was shaken and the local business community was moved to despair by import restrictions applied in an apparently haphazard manner.

In the wake of the Mustapha Said affair, the hands of Prime Minister Kamal Hassan Ali and his assistant Dr Atef Ebeid, the Cabinet Affairs Minister, have almost certainly been strengthenad.

Both men are committed to liberalising the Egyptian economy, and both have a disregard for the more stifling bureaucratic restrictions on business activity. It remains to be seen whether they can succeed where others hava failed in cutting regulations in order to improve the climate for investors.

The prime minister, a deceptively mild former head of military intelligence, took over last July from the late Mr Fouad Mohieddin and is well thought of in the business community. A period of bad health late last year (he has an arthritic condition) coincided with a palpable impression of drift in the Government that extended into the first months of 1985.

Mr Mubarak appears to have assembled a sounder ministerial team than in his first three years in office but obstacles are now more formidable because of the economic squeeze, and time to deal with looming problems may be short.

Few decisions will he easy. Many will involve the nature of the Egyptian system itself, constructed over several decades of socialist administration. Reforms of the pricing structure fashioned in another era are painful. It is to Mr Mubarak's credit a start has been made.

There bave been modest increases in the prices of many state-controlled commodities and services and in some cases, such as electricity, increases bave been substantial.

Less creditable has been tha Government's effort to restrain population growth, which is fundameotal to the success of its ambitious development programme and ultimately to the maintenance of social stability. Population growth is estimated to be 2.7 per cent, or an extra 1m months to feed every nine to 10 months. Arable land forms only 4 per cent of Egypt's total area and about 50 per cent of food requirements are imported.

Under these circumstances family planning should be an absolute priority for the government. Although Mr Mubarak talks vividly about tha problem, this does not appear to have been translated into a concerted, nationwide birth control programme.

In his May Day speech ha spoke approvingly of recent economic developments in China, whose success in achieving virtual food self-sufficiency would not have been possible without a massive drive to restrain population growth.

Egyptian ministers bristle when China's birth control example is mentioned because it evokes images of coercion. The real success of the Chinese programme is in large measure attributable to a system of economic rewards for restricting family size and to an energetic education effort.

It may be a creative device for the Egyptian authorities to keep television programmes late into the night to discourage procreation, but this is hardly a panacea for a problem that threatens to wipe-out hard-won economic gains.

Some 2m new houses will be needed by the end of the century, based on a population estimated to be 65m by then. At the present rate of growth, Egypt will exceed that population target by as much as 10m.

Gains from massive rehabilitation programmes under way in Cairo, such as the construction of a new sewerage system, are in danger of being dissipated under the population burden. It is a constant source of amazement that Egyptians from all sections of the community do not appear more exercised about the problem.

In spite of population pressures, Mr Mubarak's administration is making progress in urban renewal. Cairo's appalling traffic problems bave been eased and phone calls to most sections of the city are less of a lottery than they were even six months ago. It is hard to tell, however, whether these improvements in conditions in one of the world's most congested cities reflect real gains for thousands of slum-dwellers.

Egypt's process of democratisation is being carried forward even though last May's elections were less free than the president might have wished. Mr Mubarak appears sincere in his desire to encourage a greater pluralism. It bas been a lively year for the opposition press, and the ruling national Democratic Party seems, for the most part, not to have misused its crushing majority in the People's Assembly.

Democratisation has yet to be really tested. Mr Mubarak's three years in office have been marked by an impressive degree of social harmony, to which the president's self-effacing style has contributed.

Imposition

But challenges are there, notably from the fundamentalist trend which appears to be gathering strength. The Government has skilfully avoided confrontation, but it may not be able indefinitely to put off the day when a stand will have to be taken against demands that threaten Egypt's fragile social compact between the Moslem majority and the significant Christian Coptic minority.

The Government bought time after a parliamentary motion calling for imposition of Islamic law by having the mattar referred for review by committee, to see where Egyptian laws differed from the Moslem code.

Debate in parliament was vigorous and a number of representatives, including those from the National Democratic Party, walked out when the vote was taken. There was a feeling that Dr Rifaat Maghoub, the Speaker of the assembly, may have handled things "a little too firmly," as one observer put it.

Fundamentalist pressures seem unlikely to dissipate and a worry for the Government is that economic hardship will encourage an outgrowth of extremist activity and sentiment. Imams, in their Friday exhortations to the faithful, are more political. Egypt's problems are often attributed to Western influence.

Among middle class Egyptians, the fundamentalist trend is a frequent topic of conversation, particularly for those who hava lived elsewbere and returned to find more visible symbols of the trend in dress, attitude and religious observance.

In foreign relations it has been a satisfactory year. Mr Mubarak has emerged as an international figure and Egypt has moved appreciably back towards the Arab mainstream.

The "Mubarak initiative" of February, which suggested a first-stage dialogue between the U.S. and a Jordanian-Palestinian delegation, has been helpful, and may open a corridor to direct Arab-Israeli talks on the West Bank and Gaza Strip.

The gains from Mr Mubarak's visit to Washington in March were not immediately apparent, but the U.S. decision to lend its weight to new attempts to revive the stalled peace process shows that note was taken of the Mubarak message about the dangers of the Reagan Administration adopting a "defaatist" attitude towards the Middle East.

Egypt's interest in seeing a revival of peace moves is not altogether altruistic. Like King Hussein of Jordan, Mr Mubarak recognises the threat to moderate regimes in the region as long as the Arab-Israeli conflict is unresolved.

Pressure

A modest start in the long haul towards a settlement would also provide a pretext for Egypt to warm its relations with Israel —frozen since the Israeli invasion of Lebanon in 1982 and subsequent massacres by Phalange militiamen at the Sahra and Shatila Palestinian refugee camp.

Egypt is under pressure from Washington to normalise relations with Israel to encourage a better atmosphere for a revival of the peace process and to demonstrate to sceptics in Israel that there are benefits in a more flexible attitude towards compromise.

Mr Mubarak and his advisers will not wish, though, to squander diplomatic gains in the Arab world by rushing to embrace Israel's Prime Minister, Mr Shimon Peres, without tangible signs of Israeli flexibility on the Palestinian question and in a dispute over territory in the Sinai.

Achievements in foreign policy, even in the Middle East with all its complexities, are easier than economic progress in a country whose problems are an accumulation of decades of neglect.

Egypt 2

Tony Walker and **Margaret Hughes** profile three key members of the Government's economic management team

Unknown starts fence mending

ONE OF the less enviable jobs in the Government is held by Mr Sultan Abu Ali, judging by the casualty rate among his predecessors. Egypt has an abundance of ex-ministers of the economy brought down by political changes, minor scandals or perceived policy failures.

The new Minister of the Economy takes over at a challenging moment. Economic indicators are negative and the Government's credibility in the economic sphere has been strained by its mishandling of exchange rate policy.

Mr Abu Ali, who had some fence-mending to do with the business community, is thought to have made a sound start in the month or so he has been in office. One of his first actions was to overturn currency regulations introduced by his predecessor that disrupted Egypt's foreign exchange markets.

Tall and courteous, the new minister has a reputation as a methodical worker. "Under Sultan, there are unlikely to be any big surprises," said a leading Egyptian banker.

Mr Abu Ali is certainly a contrast to his predecessor, the abrasive Mustapha Said, whose individualistic style made him the butt of cartoonists, and the despair of many.

Mr Abu Ali described his immediate priorities as the revision of pricing policies and

SULTAN ABU ALI

to raise efficiency of public sector companies to encourage a net rate of return for the sector overall of 6 per cent.

As the former deputy head of the Investment Authority, established to encourage new investment in Egyptian enterprises, Mr Abu Ali has an interest in improving the climate for foreign investors. The new minister is critical of what he describes as the "incredible artillery" of laws and regulations that constrain foreign investment.

He is disappointed at the relatively low level of direct foreign investment, particularly from the U.S. and Europe which amounts to about $1.5bn since the "open door" policy was instituted in the mid-1970s.

Mr Abu Ali, whose early work experience was at the Alexandria Stock Exchange in the late 1950s, wants to revitalise capital markets as part of a general strategy to encourage new investment.

The new minister is something of an unknown. His brief tenure at the Investment Authority (he was appointed deputy chairman in August 1984) earned mixed reviews.

There are two views of Mr Abu Ali, said a foreign banker. One is that he is "bright, open-minded and business-oriented: the other is that he is slow in making decisions."

The minister has a doctorate from Harvard, served as an economic adviser to the Kuwait Development Fund from 1973 to 1978 and was professor of economics at Cairo's University.

Sultan Abu Ali: Economy Minister

Aly Negm: Central Bank Governor

Atef Ebeid: Cabinet Affairs Minister

Wrestler bears new burdens

MR ALY NEGM, the newly appointed Central Bank Governor has finally taken on the mantle which the banking community has long bestowed upon him. During his many years as deputy governor, bankers and others in the financial and business community consulted him, irrespective of who might have been the man at the top.

He has been both the power behind the throne and the public face of the Central Bank. It has always been Mr Negm who has negotiated with the International Monetary Fund (for which he once worked) and other international institutions. His previous superiors have remained shadowy figures.

Mr Negm is well liked and respected by the banking community, including its foreign members, who have found in him an understanding and responsive—if not always sympathetic—ear.

A man who has long lamented the "lack of teeth" given to the Central Bank, he takes up his new position at a time when it appears that the institution is to be given greater autonomy and power. It will no longer be answerable to the Minister of Economy: Mr Negm reports directly to the prime minister and the new Economic Advisory Committee.

The power struggle is far from won, but bankers view both his appointment, and the freeing of the bank from the tentacles of the Ministry of Economy, as positive steps. They are more hopeful that the Central Bank may become a banker's bank rather than simply a tool of government economic policy.

Having been in his job for only weeks since his predecessor resigned with the Minister of Economy, he already seems a little more weary, but that is hardly surprising. He is under more pressure than ever, and knows the limited extent to which he can delegate; there are few who share his capabilities within the bank.

The appointment of a deputy will be crucial on this score, and the low public sector salary scale will be a major constraint.

As a former university wrestling champion and a rowing champion, his shoulders seem broad enough to carry his new burdens. Mr Negm has been with the Central Bank since its formation in 1960 and before that with the National Bank of Egypt which then performed this role.

He has spent all his banking career "living day-by-day" with Egypt's economic problems, he says wryly.

"They have not changed much, particularly the influence of politics on the economy," he adds.

He considers that his background as a banker and sportsman have prepared him for his new job, combining patience with a competitive spirit.

There is a view that if the Egyptian economy is to be overhauled the Central Bank, like other public institutions, needs new blood with radical and

ALY NEGM

imaginative ideas. "Aly Negm has proved he is a good mechanic," runs the argument "but will he be as good an engineer?"

That said, the consensus remains that he is the right man at this time. His knowledge of both the bank and its staff give him the best chance of mustering the best team that such an entrenched institution can come up with.

As one banker said, now is not the time for "whiz kids." That may come later when the economy emerges from its crisis.

He considers his first priorities a review of bank regulations—particularly those on banking and credit—combined with a review of the interest rate structure and the unification of the exchange rate.

In terms of bank regulation he will be looking at the position of Islamic banks. Egypt has two Islamic banks while some branches of the Banque MISR public sector bank are operating on Islamic or "Sharia" principles.

These claim that the credit and deposits criteria of the bank regulations should not apply to them as they do not extend loans or take deposits. Mr Negm, an observant Muslim, does not appear convinced but is considering alternative regulation.

On the interest rate front he is responding to the request of bankers that the interest rate ceilings be lifted and, in particular, the structure which enables banks to get a higher return on short-term trade lending than on longer-term lending for agriculture and investment.

A long-time advocate of a unified exchange rate, Mr Negm is hoping that agreement can be reached quickly with the IMF for a standby facility as a cushion to allow the Egyptian pound to float freely. He will also be seeking funds elsewhere.

Efficiency expert a force for reform

LESS THAN a year after being enticed away from a lucrative management consulting practice to serve as Minister of Cabinet Affairs, Mr Atef Ebeid has emerged as a key figure in the Government.

Mr Ebeid's name is increasingly mentioned as the force behind new administrative measures and economic reforms. He is close to Prime Minister Kamal Hassan Ali and is said to have won the confidence of the president, for whom he plays a troubleshooting role.

A prominent Egyptian banker with a number of years of experience in London described Mr Ebeid as "very bright" and a man who, if given the chance, could achieve significant practical results.

An unassuming figure in his mid-50s, Mr Ebeid disclaims an interest in politics, recalling that when he was at university in Cairo in the early 1950s he stayed in the library studying while fellow students were rioting on the streets.

Mr Ebeid sees his function as co-ordinator of Cabinet decision-making. He likens his office to a clearing house for policy recommendations before they are presented to the Government.

His other task is to improve the bureaucracy. He admits that the quality of service and performance of public administration is often unacceptable and blames this on neglect and lack of resources over many years.

An efficiency expert with a doctorate from the University of Illinois in business studies, Mr Ebeid is implementing radical policies such as stopping the employment of university graduates by quota in the public sector.

Other plans involve public service authorities raising fees and retaining a percentage for distribution as bonuses.

He describes this as a "kind of privatisation," and says it will be introduced in the 1985-86 Budget. Sections of the bureaucracy selling services to the public will be allowed to keep 75 per cent of extra revenues, while 25 per cent will go to non-income-producing departments.

Mr Ebeid would also like to "disintegrate" the mugama, the vast bureaucratic mausoleum in the centre of Cairo which performs basic administrative chores at glacial speed, such as issuing work permits and immigration documents.

ATEF EBEID

Mr Ebeid's importance in the government goes beyond his responsibility for its "nuts and bolts" functions. Together with the prime minister and several of the results-oriented younger ministers, he represents a significant new element in the administration willing to contemplate radical solutions to traditional problems.

These ministers want an increased role for the private sector and greater efficiency in the sprawling public sector.

"We plan to allow gradually for market forces to allocate resources in such a way that will guarantee social stability," Mr Ebeid said. "Prosperity exists not through the redistribution of wealth but in getting more people to increase productive activity."

Public sector managers must make their enterprises profitable through financial incentives. Failure would be penalised.

Mr Ebeid is setting an example of hard work. He claims not to have had a day off since last July.

Mr Ebeid describes himself as well-off, and says that when asked to serve in the Government the choice was between added wealth if he had stayed in private practice or "making a possible contribution to my country."

He gained his doctorate in 1962 and returned to Egypt as professor of management at Cairo University until 1984. In 1974 he established his own business, which he described as "my happiest experience."

Ground given away to conservatives

Fundamentalists

KATHRYN DAVIES

MOSLEM conservatives campaigning for the full implementation of Sharia (Islamic laws), in Egypt, were recently rebuffed when the majority of the People's Assembly voted against immediate change.

But there are signs that the Mubarak government is prepared to make concessions to the vociferous religious lobby by tightening censorship of what is termed "obscene" material in books, films and tapes, and giving ground on such issues as women's rights.

In April the Constitutional Court ruled that a law giving a woman limited freedom to divorce her husband was invalid—a decision greeted with dismay by women's organisations.

The authorities also seem prepared to give ground on demands by the country's Islamic banks for their special needs to be accommodated. According to Mr Mahmoud el-Helw, Faisal Islamic Bank governor, "a constructive dialogue" is taking place with Central Bank officials on key areas in which the Islamic institutions feel disadvantaged.

Islamic banking concepts are derived from the Shari'a which prohibits riba—literally, usury, or the payment of interest. Instead a depositor enters into a contract with the bank, accepting the risk that he will make a profit or a loss.

However, Egypt's Islamic banks are obliged to comply with secular banking laws which require them to leave 25 per cent of their capital on deposit with the Central Bank. Mr el-Helw argues that if a depositor accepts the possibility of a loss, it is illogical for the bank to have to protect him by complying with the liquidity ratio demanded for Western-oriented commercial institutions.

Islamic banks do not regard money as a commodity to be hoarded or stored (which would conflict with Koranic injunctions), so they tend to do "lots of trade."

Egypt's banking regulations do not permit the banks to own fixed assets, such as land. But the Faisal Islamic Bank wants to purchase 17,000 acres of reclaimed land for an agro-industrial complex in which ordinary Egyptians would be invited to participate via a restricted investment account.

The Islamic banks also want restrictions lifted on their number of branches. Faisal, for instance, has 10 and wants to open another 13.

"We have the largest number of accounts of any bank in Egypt—1.2m. The main Cairo bank has 300,000 clients, far too many for individual attention," Mr el-Helw says. "Ideally it should only have 30,000 to 40,000."

Mr el-Helw, who became governor last August after a career in international banking including a spell with the World Bank, believes the Central Bank will compromise, not least because Islamic banks are tapping funds from Egyptians using banking for the first time.

In terms of acceptability the Islamic banks have made their mark with large numbers of middle- and lower-class people who had preferred to keep their money "under the mattress." Even big secular banks such as MISR are opening Islamic units to deal with demand.

Automated

The unexpected growth of Islamic banking has led to management problems and controversies. Mr el-Helw says his priority is to computerise all the bank's operations and restructure manpower to offer a more efficient service. Staff have been sent abroad for training, although "a solid banking background" is more important than a full understanding of religious precepts "which can be grasped in rather a short time," Mr el-Helw says.

Even before Islamic banking a company on religious principles was set up by Mr Ahmed el Sharif. Today Al Sharif Plastics is one of Egypt's most successful private ventures. He got round the need to borrow from commercial banks by asking school and university friends to invest in his enterprise, which started by producing ballpoint pens, combs and plastic dustbins.

Having started with simple, manually-operated machinery, Al Sharif Plastics automated to produce PVC products and diversified into detergents, nylon threads and edible oil. The company, now run by the founder's elder son, is coy about its profits, but admits they are increasing annually by more than 22 per cent. Al Sharif is now embarking on a E£300m expansion over five years and plans to add nine factories to its existing 13 and increase its 3,000 all-male workforce to 5,000.

Employees have time off to pray several times a day during working hours, but Mr Ahmed Fikry, in charge of new projects, says this does not affect productivity.

"We are at the top of the market" he says. By implication, a religious workforce is also an obedient and well-motivated one.

Islamic principles have other implications for industrial relations. Mr Fikry says there is not the strict vertical relationship between boss and worker that exists in many Western businesses.

"The highest (man) stands by the side of the lowest at the mosque," he says.

No easy choices are available as Egypt's economy enters a dangerous phase. **Tony Walker** examines the options

Time passed for prevarication

Economy

EGYPT'S ECONOMY has entered a dangerous phase. An over-dependence on unsustainable sources of foreign exchange and a rapidly growing population putting increasing demands on limited resources means the next years will be difficult.

Looming balance of payments problems leave little choice but to institute an austerity programme. Imports will have to be reduced and further reforms of the pricing system implemented to ease financial pressures. There are no easy choices.

Conspicuous consumption and ambitious development were encouraged in the 1970s and early 1980s by strong growth in oil revenues and workers' remittances from abroad. Egypt's relations with Arab states were fractured by its 1979 peace treaty with Israel. But it still benefitted from the boom in the Gulf, where thousands of Egyptian workers have been employed.

Israel's return of the Sinai and its oil wells from Israel helped Egypt sustain exports in the face of rising domestic demand.

Deterioration

These factors plus large transfers of foreign aid — principally from the U.S. — allowed Egypt to defer unpalatable economic measures, notably those involving pricing and subsidies. But the time when policymakers could afford delay appears to have passed.

There is likely to be a marked deterioration this year in Egypt's balance of payments, perhaps reaching a $1bn shortfall compared with a modest surplus in 1983-84. Growth in oil revenues has flattened. Exporting has proved difficult recently so there will be a fall this year. Inflows of remittances will be down, though by how much is difficult to predict.

Suez Canal receipts are likely to be down about 5 per cent because of the scare last year over Red Sea mines, the Gulf war and reduced oil trade. Receipts from tourism will increase modestly at best.

An expected small growth in exports of industrial goods and agricultural products will make little impression on the trade deficit, which is projected to reach $5bn this financial year.

A large food import bill of some $3bn — 10 per cent of GDP — is a nagging burden on the economy, and one that will not easily be reduced with population growing at 2.7 per cent (an extra 1m people) every nine months against increases in agricultural output of about 2 per cent.

Most worrying is the fall in remittances from more than 2m Egyptian workers abroad. This financial year they fell more than 50 per cent from $3.5bn to $1.6bn, according to Prime Minister Kamal Hassan Ali. However, Mr Kamal Ganzouri, Minister of Planning and International Co-operation, believes the decline will be closer to 20 per cent or about $600m.

Central Bank figures for the first six months of the financial year showed a small increase over the corresponding period the previous year. But the problem in accurately assessing the flow of cash is that the bulk of funds transferred by expatriate Egyptians are traded on the black market.

In any case, this prime source of hard currency that has helped to sustain the import boom has peaked, and will not recover in the near future because of the slowdown of economic activity in the Gulf. Many of the Egyptian workers abroad are being sent home or having a pay cut. Large numbers are said to be returning from Libya.

Economic ministers emphasise that imports will be squeezed. Main targets for import rationalisation are consumer goods including motor vehicles and capital equipment not considered vital.

Mr Sultan Abu Ali, Minister of the Economy, said four lists would assist in restraining imports. These would cover:

- Forbidden imports.
- Items attracting a prohibitive tariff, such as luxury goods.
- Products on which a tariff is levied to protect local industry.
- Items in short supply.

It is unresolved whether the Ministry of Industry or Ministry of the Economy will administer a reformed rationalisation system that will seek to streamline present cumbersome procedures that are the despair of Egyptian business.

Limiting imports is partly connected with Egypt's pricing and subsidy policies. Modest increases in bread prices (a 2 cent loaf is being substituted for the basic 1 cent loaf) may restrain consumption. Farmers for example, may be discouraged from feeding bread to livestock, but even at 2 cents, a loaf is still heavily subsidised.

Prices for almost all basic commodities and for fuel and power are well below world levels and in some cases only a fraction of them.

A start has been made implementing price increases. According to the prime minister, Egypt has gained more than E£1bn from pricing reforms such as increased electricity, petrol and bread prices in 1984-1985.

Foreign observers give President Mubarak's government credit for beginning to tackle the problem, but wonder why more was not done several years ago. "Measured by the distance they have to go, it is not very significant," said one observer.

"But in their terms they have advanced a substantial distance."

The 1985-86 draft Budget reflects government attempts to exercise restraint. Food subsidies have been held at last year's level of about £2bn ($2.4bn), and the budget deficit reduced by about 10 per cent. The Government plans to hold growth in expenditure to about 9 per cent.

Debt

Inflation is about 15 per cent, according to ministers, but it is not clear how scientific this assessment is. Prices on basic commodities have remained relatively stable in the past year.

Bankers are concerned about Egypt's debt service. There have been delays in repayments, but no consistent pattern has emerged. Egypt does not publish consolidated external indebtedness: estimates range between $25bn and $35bn.

A debt-service ratio of 35 per cent of current earnings is considered a respectable estimate of Egypt's obligation on civil and military debt.

Vulnerability to a sudden downturn in main sources of foreign exchange was noted in the latest IMF report on the Egyptian economy, in June 1984. It stated: "Indications of the weakness of the external sector are the low level of the central bank's gross usable reserves (less than one month's imports), the commercial bank's increased net liabilities denominated in foreign currencies (approaching $1.2bn) and level of external indebtedness ($24bn in June 1983, some 220 per cent of current account receipts).

Bankers say that in the past year or so, Egypt has increased its short and medium-term commitments, particularly to Arab banks. This is perhaps a reflection of improved relations with its neighbours.

Egypt has asked the IMF to provide a standby facility to cover expected balance of payments deficits, and an IMF team had comprehensive talks with Egyptian officials in April. Egypt is confident that it will come to an arrangement with the fund.

The amount it is seeking has not been made public and figures published in the Egyptian press of between $1bn and $2bn appear unrealistic.

The five-year development plan (1982-83 to 1986-87) remains a sacred document. Mr Ganzouri claims that ambitious growth targets of 8 per cent a year are being met. The average in the four years to 1985-86 is expected to be 7.7 per cent.

This appears an optimistic assessment to foreign analysts, who believe the growth rate is closer to 5 per cent, a respectable figure in any case. According to Prime Minister Ali, the economy is growing fast enough to create 400,000 new jobs a year.

Mr Ganzouri said national investment figures for the first three years of the five-year plan demonstrated the Government's commitment to the private sector, which had attracted about 30 per cent of new investment —well above target.

Ministers recognise that increases in industrial and agricultural exports, which fell back in real terms in the past decade, are vital to help sustain Egypt's ambitious development programme. Formation of the Export Development Bank of Egypt (EDBE) this year reflected this concern.

Population

Significant growth in exports of manufactured items and agricultural commodities will be difficult. The European market is tough, particularly for goods not of premium quality, while markets in nearby Arab countries are thin.

But the establishment of the EDBE is a practical step and is receiving World Bank support. It allocated $125m to encourage exports.

Mr Ganzouri said work was in progress on a new five-year plan to take Egypt to the early 1990s. He said one of the aims of the new plan would be to create 20 communities of 100,000-150,000 people each to ease population pressures in Cairo and Alexandria.

He conceded that it would be impossible for Egypt at the present rate of population increase to hold to its target of 65m by the year 2,000. Population is now officially 48m.

The past year has been uneven in the management of the economy. Dr Mustapha Said, the previous minister, was deposed in April when it became clear that currency regulations he had implemented in January aimed at drawing funds from the black market had failed.

The regulations provided for a limited float of the Egyptian pound well below the black market rate. Such erratic handling of exchange rates contributed to a slowdown in the first quarter of this year in remittances. Haphazard import restrictions also caused their share of difficulties for business.

Private sector investment is likely to have been affected by the muddle over the new exchange rate and import policies.

The business community has welcomed new appointments to key economic positions, notably those of Mr Aly Negm to head the central bank and Dr Sultan Abu Ali as the new Minister of the Economy. The increasing role of the prime minister and his assistant Dr Atef Ebeid in economic management is also regarded as a positive development.

Government budget

(As proposed at start of financial year, E£m)

	1982-83	1983-84	1984-85
EXPENDITURES			
(A) Current	8,753.8	9,891.3	11,354.5
(B) Investment	3,935.5	4,400.0	4,865.0
(C) Capital Transfer	1,924.0	1,918.3	2,057.7
Total expenditures	14,613.3	16,209.6	18,277.2
Revenues	9,768.0	11,197.2	12,877.2
Gross deficit	4,845.3	5,012.4	5,400.0
Financing	3,345.3	2,712.4	4,200.0
Foreign	1,278.9	1,387.0	1,522.1
Domestic	2,066.4	2,325.4	2,677.9
Net deficit	1,500.0	1,300.0	1,200.0

Balance of payments

(Current $m)

	1982-83	1983-84	1984-85
Exports (fob)	3,892	4,556	4,500
of which crude oil	2,182	2,420	2,400
Imports (cif)	8,300	9,300	9,560
of which food	2,295	3,115	
Capital goods	2,382	2,150	
Trade deficit	4,408	4,744	5,000
Services and transfers (net)	3,144	3,501	3,300
of which Suez Canal	957	974	1,000
Tourism	551	557	600
Remittances	2,770	3,350	3,300
Current account deficit	1,264	1,243	1,700

Sources: Central Bank of Egypt, IMF, Ministry of Economy, Ministry of Finance, U.S. Embassy, Cairo.

Prices raised by stealth to avoid uproar

Subsidies

TONY WALKER

"EGYPT IS the only country in the world where it is cheaper to wipe the table with a loaf of bread than with a knapkin," according to one western economist in Cairo. His assessment of the generosity of government subsidies may be an overstatement, but food price assistance in Egypt does encourage waste.

The Government recognises the problem and is increasing bread prices, but only slowly. The substitution of a 2 cent loaf for the 1 cent loaf, which is gradually being phased out, is a modest start.

Bread prices in Egypt are still among the world's lowest. Levels of wheat consumption are therefore high—an average of 184kgs for each person compared with the world average of 75kgs.

The Government is cautious about tampering with the price structure which it believes, with some justification, has contributed to relative political stability for several decades.

Ministers refer to the riots in Tunisia and Morocco, and Egypt's experience in 1977 when mass disturbances over food price rises left 79 dead and caused millions of dollars worth of damage.

The riot late last year at Kfar el-Dawwar, a Nile delta town, apparently over modest increases in cigarette, pasta and cooking fat prices, was the most recent reminder of the dangers in cutting subsidies.

The past year has brought some progress, however. There have been price increases across the board, although the structure remains, as a Western observer put it, "out of whack with reality."

Government policy of increasing prices by stealth was shown at its most creative in the case of petrol. The Government did not increase the price of basic low-octane fuel, but introduced a higher-octane, higher-priced substitute. The lower-octane variety will become progressively more difficult to obtain.

Similarly, non-ration rice was previously available at about 15 piastres per kg, but is now difficult to find. The substitute is a new imported variety retailing at about 30 piastres. Other recent price increases covered electricity, iron and steel products, coking coal, agricultural equipment and light bulbs.

The IMF, in its June 1984 report on the Egyptian economy, identified pricing anomalies as the principal problem. "Direct and indirect government intervention dating over two decades has resulted in widespread cost-price distortions," it said.

Government controls of prices in industry and agriculture had encouraged movement of resources from the production of tradables to expansion of services since 1973.

Wheat

During the late 1970s and early 1980s: "Value added in the commodity producing sectors grew by 5.8 per cent per annum compared with 12.1 per cent in the production services sectors and 9.6 per cent in the social services sectors. Growth rates in agriculture and industry were notably lower than in most other sectors," the report said.

The extent of food pricing problems is spelled out in a series of papers by the International Food Policy Research Institute. In 1970/71 food subsidies averaged about 3 per cent of government expenditure compared with 21 per cent between 1974 and 1980/81.

Heavily subsidised wheat imports encouraged an annual growth rate of 8.4 per cent in wheat and flour consumption between 1972/83. Until recent measures to free its domestic market, Egypt was paying 2½ times more for its imported wheat than for the domestic product, so wheat production languished.

The system has also been socially inequitable. A study by the National Bank of Egypt in 1979 showed that the top 19 per cent of households in towns received 26 per cent of food subsidies while the bottom 29 per cent received only 22 per cent.

Troubled times in a crucial sector

Oil and Gas

TREVOR MOSTYN & MARGARET HUGHES

THE Egyptian General Petroleum Company which manages the exploration, production and pricing of the country's oil industry with an independence and efficiency not normally associated with public sector entities, is going through troubled times. This largely reflects the depressed state of the world oil industry. But other difficulties are closer to home.

It is almost a year since the bright but elusive Mr Abdel-Hadi Khandil, its chairman, was appointed Minister of Petroleum, yet no one has been appointed in his place.

Mr Khandil is still attempting to do both demanding jobs splitting his time between the EGPC headquarters on the outskirts of Cairo and the ministry in the city centre, where he also has been given the minerals portfolio.

Other senior positions within EGPC also have not been filled. The same goes at under-secretary level within the ministry. This includes the replacement for Mr Ibrahim Radwan who retired from his key position as general manager responsible for negotiating agreements with the international oil companies which do virtually all exploration and production in Egypt.

This position is unfilled at a time when Egypt, with proven oil reserves of only some 4.8bn barrels, can count on only another 10 years' production, and needs to step up its exploration.

Last year 14 exploration agreements were signed. This year none has been, although six new agreements and six amendments were negotiated before Mr Radwan retired.

Mr Khandil's apparent failure to appoint a new team and move EGPC to its headquarters in Maadi, south of Cairo, is being strongly criticised.

Al Shaab, the paper of the middle-of-the-road Socialist Labour Party has mounted a campaign attacking Mr Khandil for empire building, inefficiency and money wasting. He has rejected these allegations through the semi-official newspaper Al Ahram, claiming that in other countries oil ministers also did two jobs.

He likened his continuing chairmanship of EGPC to any other minister heading a committee affiliated to his ministry. He said, however, that since taking on the minerals portfolio he intended to lessen his responsibilities.

Mr Khandil and EGPC is under attack when foreign exchange earnings are depressed. Also while administrative problems may take their toll on morale a far greater worry is the depressed state of the world oil market.

Limitation

Egypt has become dependent on its oil industry, which for 10 years has been the most profitable sector of the economy, increasing its share of GDP from less than 5 per cent in 1974 to almost 20 per cent. It accounts for 69 per cent of visible exports, 26 per cent of current account receipts and 18 per cent of government revenues.

Net oil earnings reached a peak of $2.7bn in 1981-82 but dipped the following year to $2.694m. In 1982-83 there was a sharp drop to $2.22bn followed by a small recovery last year to $2.34bn.

This year there is likely to be a drop in earnings of some $300m in spite of record production. A limitation on export earnings is the high level of domestic consumption, which absorbs almost half the production leaving only some 200,000 barrels a day for export.

Egypt has been keen to step up production and had set a target of 1m b/d by early 1984. Output, which in the first half of the year averaged 858,000 b/d, reached a record 898,141 b/d at the end of April. Average production for the year is expected of between 865,000 and 870,000 b/d. This compares with an average of 785,000 b/d in 1983/84, itself an increase of 14.5 per cent on the previous year.

In the early months of the current financial year, export earnings held up well with Egypt managing to hold the prices of its blends to the levels set in April 1984. But since the series of Opec meetings at the turn of the year exporting has proved more difficult.

Between a quarter and a half of exports are sold on government-to-government contracts and apart from the special arrangements which Egypt has with countries like Israel, these are relatively short term, though with long standing customers. The remainder is sold in the commercial market.

Egypt cut the prices of its oil by 50 cents a barrel from February, bringing its Morgan Light Suez blend down to $27.50 per barrel. Export sales held up relatively well and in the first nine months, export revenue is understood to have reached $1.9bn.

However, over the past month or so the situation has deteriorated. EGPC's first response was to cut prices by a further 75 cents per barrel bringing Morgan Light down to $26.75 per barrel.

Although unannounced, this is understood to have been made retroactive to April 1. But even this reduction has not been enough to overcome resistance in the markets and EGPC has asked producers to cut back production by some 20 per cent.

Gupco, the EGPC/Amoco joint venture, cut output by 8 to 9 per cent for a few days but is now back in full production.

For the time being the foreign oil companies are trying to avoid cutting output by taking extra themselves. But given the softness of the world market, they will be unable to do so for long.

EGPC has limited storage capacity for stockpiling. There are fears, therefore, that it may be even more aggressive with its pricing to earn as much foreign currency as possible.

The Government is forecasting a $300m drop in oil export earnings this year. Industry experts who had doubted this prediction, based on EGPC's export performance in the first half year or so, estimate that export earnings will be broadly in line with the Government's prediction at $2bn.

But the omens for the coming financial year are bleak unless there is a sharp turnround in world oil demand. And without any big discoveries, the longer term also looks gloomy.

Prime Minister Kamal Hassan Ali earlier this year warned that with domestic consumption still increasing at the rate of 15 per cent a year, by the mid-1990s Egypt would have to change from being a net exporter to a net importer of petroleum.

Some attempt is being made to reduce or contain domestic consumption. Energy prices are heavily subsidised so the consumer pays only about 20 per cent of world prices, costing up to £E4bn-£E5bn a year in subsidies.

A higher octane petrol has been introduced for 20 piastres a litre, compared with 15 piastres for the lower octane grade, which will be gradually withdrawn.

Electricity tariffs for residential consumers have already been increased significantly for the first time by between 10 and 60 per cent, albeit from a low level.

On the industrial front there is a move to switch more industrial plants to using gas feedstock. Gas from the Abu Ghardiq field in the Western Desert is already being used to power fertiliser and textiles factories in the Nile delta and the Helwan steel complex south of Cairo.

A 600 km gas pipeline may be built from the Gulf of Suez to feed convert the Kena fertiliser complex near Aswan to gas.

Egypt is also expanding its refining capacity to meet both domestic demand and sell to export markets. Capacity will be raised from 20m tons a year to nearly 29m tons within the current five-year plan at a cost of $1.2bn.

This includes a new refinery at Assiut to feed industries in upper Egypt, involving an investment of $200m for which Lloyds Bank International is arranging the foreign currency financing.

This will have an initial capacity of 40,000 barrels a day and will be fed by a 250 km pipeline from Ras Shukheir on the Gulf of Suez.

The capacity of the refinery at Suez will be expanded by 125,000 barrels a day at a cost of some $300m.

Egypt is anxious to exploit its natural gas resources to generate energy for industry and in the home. Proven gas reserves estimated at 5.5 trillion cu ft are expected to increase substantially in the next 10 years, and oil industry experts put the reserves much higher at 9 trillion cu ft.

The Government has decreed that no gas can be exported until reserves reach 12 trillion cu ft.

Several oil companies are negotiating with EGPC to have their concession agreements modified to provide a greater incentive for gas exploration and development. The companies see little scope for exporting the gas.

Finds of natural gas and condensate, particularly in the Western Desert and the Mediterranean off Alexandria and the Sinai coast, have been encouraging.

The heart of Egypt's oil industry is in the shallow waters of the Gulf of Suez, a basin of some 20,000 sq km which extends from Suez Town in the north to Hurgada in the south, which represents 90 per cent of Egypt's proven oil reserves are 75 per cent of production.

The majority of the producing fields are operated by the Gulf of Suez Petroleum company (GUPCO), formed by the state-owned EGPC and Amoco.

More than 366 exploratory wells have been drilled in the Gulz of Suez and some 40 fields discovered with total proven reserves of about 3.44bn barrels, or 90 per cent of Egypt's reserves.

Ras Shukeir is GUPCO's main terminal, linked with production areas by a pipeline network. In July 1982 a 220-mile pipeline was inaugurated connecting the export terminal with refineries in Suez and Cairo. The Sinai oilfields, returned to Egypt by Israel, produce 200,000 b/d of which 160,000 are in the Abu Rodeis area.

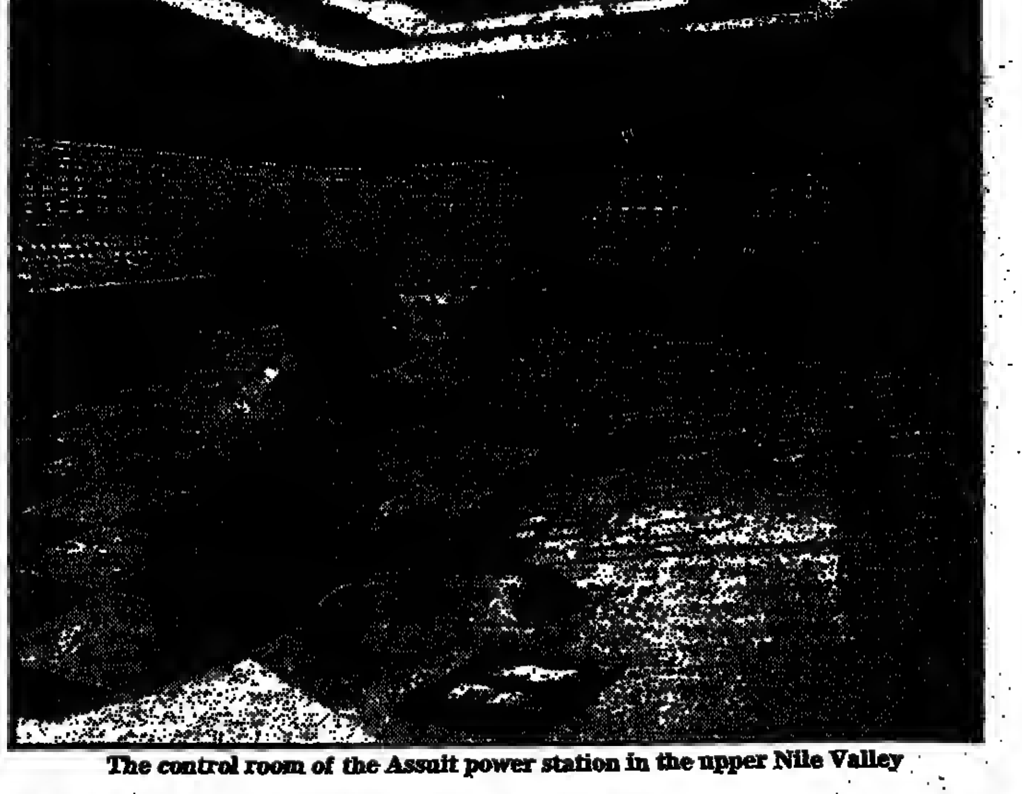
Smaller

Suez Oil Company (SUCO), has successfully drilled at Ras Budran, Ras Fanar and Zeit Bay, while Petrobel operates the Belayim fields. General Petroleum Company (GPC), operates a series of smaller Ras Gharib fields, and Total acquired a new concession in 1983 in the northern part of the Gulf of Suez.

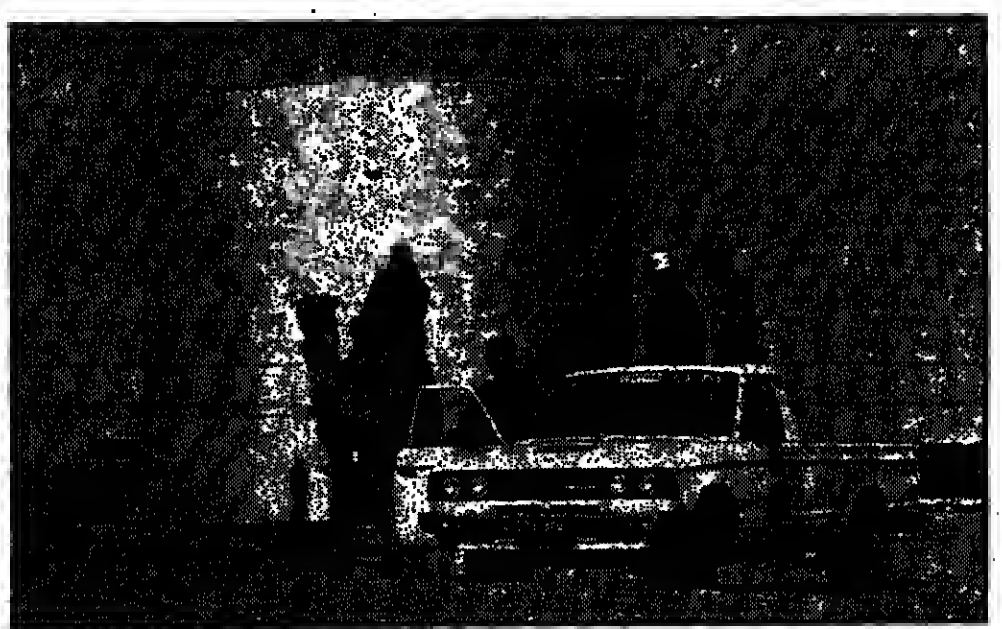
Deminex has recently formed a new consortium in the Gulf of Suez and Conoco recently acquired 90 per cent of Mibol's Gulf of Suez activities.

There have been promising finds in the Western Desert where Shell's recently discovered Badr el Din field is currently producing 12,512 barrels per day. Production from older fields has been declining, however. The other operators in the Western Desert are GUPCO and WEPCO, the joint venture of Phillips-Hispanoil and EGPC. WEPCO is also exploiting gas fields offshore at Abu Qir in the Mediterranean, where it has already sunk four wells and is sinking four more next year.

Both Shell Winning and the General Petroleum Company have made natural gas discoveries in the Western desert. Shell Winning has proposed a $150m-$200m project to pipe gas from a 1 trillion cu ft field to Cairo.



The control room of the Assuit power station in the upper Nile Valley



Four-legged transport is as common as four wheels at Ras Gharib, where Total is among companies involved in oil extraction and storage

Shortfall to continue in spite of new schemes

Power Generation

TONY WALKER

THE GAP between Egypt's power generating capacity and customer demand will continue into the 1990s in spite of an ambitious programme for the construction of plants and rehabilitation of old ones.

Demand is rising at an average of 12 to 15 per cent a year, and new production capacity becoming available at less than 10 per cent a year, so prospects are for continuing power shortages unless Egypt can improve use of existing resources.

There are ways this can be done, but it is difficult and expensive. Much of Egypt's antiquated power generating and distribution system may be beyond rehabilitation except at prohibitive cost.

Although Egypt has a comprehensive construction programme for new plants (including nuclear ones) most of these will not, on the most optimistic scheduling, be ready before the early 1990s.

It is difficult to assess power requirements, as demand is suppressed by the shortfall in supplies. The gap between production and real (as opposed to suppressed) demand could be as much as several hundred megawatts.

Heavily subsidised electricity tariffs are a disincentive to conservation and the electricity authority has until recently virtually been bankrupt—forced to borrow to cover operating and maintenance costs let alone new investment.

The picture has improved in the past 12 to 18 months because of higher electricity charges, but tariffs are still only 15 to 20 per cent of those levied in the U.S., for example.

Fears of social unrest over rising living costs make officials reticent about extra charges, preferring a programme of stealth to openly-announced increases. Mr Maher Abaza, Minister of Electricity, questioned about reports of recent increases merely said tariffs were under review.

The last acknowledged increase was in early 1984. The latest IMF report on the economy says electricity rates charged to users in the very high and high voltage categories in the first half of 1983-84 were 38.4 per cent higher on average than in the first half of 1982-83, while rates were 7.3 per cent higher for residential and commercial users.

The IMF reported in June last year that since December 1983 rates had been raised on average by 30 per cent to provide a 5 per cent rate of return to the electricity authority. These rises were, from a very low base. Total explicit and implicit subsidies in fuel for motor transport or in the power generating sector were £E3bn in 1983-84.

Inefficiencies in the power sector are underscored by the gap between power generated and that which earns income. This gap could be as much as 16 per cent according to some estimates, due mostly to transmission losses and antiquated metering.

One foreign resident living in a middle-class Cairo neighborhood, says he has never received an electricity bill in five years, even though he has told senior officials of the electricity authority of the oversight.

One cause of the transmission loss is that Egypt's main source of electric power, the Aswan high dam, which accounts for 24 per cent of the country's requirements, is some 700 km from consumers in the delta.

"If Egypt did improve the power factor of the system, it would not only reduce losses and improve voltage levels, it would be able to delay the need for one large generating unit," said a foreign expert helping the electricity authority.

One suggestion is to instal capacitors to improve voltage levels and reduce transmission losses by 6 to 10 per cent.

The U.S. Agency for International Development (AID) is studying possibilities of improving efficiency in existing plants. An official said it could cost up to $200m to rehabilitate the system.

In its bid to conserve oil for export, Egypt is converting power plants to a dual system of oil and gas. This will mean significant saving as more gas fields are tapped.

In the longer term, in the absence of other potential sources of energy such as hydro-power which is fully utilised, Egypt is pinning its hopes on nuclear power.

Senior government figures such as Prime Minister Kamal Hassan Ali say there is no alternative: Nuclear power is the only option in the face of pressure on oil supplies and shortfalls in generating capacity.

Mr Abaza said a letter of intent would be signed by the middle of the year for the first of six to eight nuclear plants to come on stream up to the year 2005 at a cost of some $36bn.

Dr Ali Fahmy El-Saledi, chairman of the Nuclear Power Plant Authority, said Egypt was moving methodically towards a decision on the successful tenderer for a plant on the Mediterranean coast 160 km west of Alexandria. He expects his authority will soon finish evaluating technical and financial packages from French, German and American bidders.

Dr Saledi dismissed suggestions that Egypt is not ready for a sophisticated nuclear industry, saying that the technical base is better than other developing countries and that Egyptians could be found throughout the world working in the nuclear industry.

The capital cost of a nuclear power station is about 1.5 times that of a thermal station, he said. But savings in running costs were "tremendous."

Competition for construction of potentially the first nuclear power station in the Arab world was "very hot," he said.

Funding overseas trade

THERE ARE more than 90 banks in Egypt, mostly geared to domestic funding or, especially in the case of foreign banks, financing imports through letters of credit.

Exporters, however, have found it difficult to obtain adequate financing, reflecting the low priority in the economy.

In an attempt to redress this imbalance, the Government has established the Export Development Bank of Egypt. The four public sector banks—Banque Misr, Bank of Alexandria, Banque du Caire and the National Bank of Egypt—each has a 15 per cent stake in EDBE, established with £E50m. The remaining 40 per cent is held by the National Investment Bank.

It was set up largely in response to World Bank pressure to promote exports as a means of restructuring the economy, which it contends is heavily dependent on "unsustainable" sources of foreign exchange. With the exception of petroleum, visible exports have been failing for several years. Last year's trade deficit was $4.7bn.

EDBE's primary function in its first four months has been simply to provide normal banking facilities to exporters. Mr Hazem El Beblawi, the chairman, who previously headed the Kuwait Development Bank, says the banking community has tended to shy away from financing exports and export-oriented industries. The EDBE has adopted a more liberal approach to the trade and its risks.

Normal banking facilities, including retail banking services and short-term export financing are being provided either as pre-shipment or post-shipment supplier credits or as buyer credits. This financing can be extended directly to the exporters or buyers, or EDBE will refinance loans made by other banks or institutions. EDBE will also provide longer-term financing imports of raw materials and components for export projects.

Unusually, EDBE will also finance "import substitution" projects because Mr Beblawi says that for industry to tackle export markets it has to establish a firm domestic base.

Export bank

MARGARET HUGHES

Unlike some members of the Government, he is not an advocate of import substitution, however. Exposure to higher world living standards has generated new consumption patterns, he says.

"Import uncompressability" must therefore be accepted as an "undeniable, if undesirable" fact. He regards export promotion as crucial to he long-term future of the economy.

The Government want EDBE to eventually provide credit guarantees and insurance cover for exporters and, Mr Beblawi hopes, concessionary finance, to help compete in world markets.

Samuel Montagu, the British merchant bank, will advise on development of facilities, which it is hoped to introduce next year.

The Government will first have to make a substantial financial commitment either directly through the budget or via the Central Bank, Mr Beblawi says. Existing and potential exporters are impatient to see the Government translate its export promotion plea into concrete incentives, he adds.

Like his counterpart, Mr Farouk Shakweer et the Export Promotion Centre, he believes these inducements to export should also include tax advantages linked to performance, better duty relief on imported inputs and a much needed streamlining of export procedures.

Mr Beblawi does not underestimate the problems confronting his bank and the export drive. The problems for other exporting countries may be risks of the markets into which they sell, but Egypt's greatest problem is within its own agriculture and industry.

These are geared to an ever-expanding domestic market which "buys anything at any price," Mr Beblawi says. In spite of the need for foreign exchange which exports would generate, it would still take a "dramatic shift in economic policy" for Egypt to become an export-oriented economy.

To support the export drive, the World Bank has committed $125m towards EDBE's funding while the EEC will provide Ecu 900,000 as technical assistance to the Export Promotion Centre.

Interest Rate Structure

	%
Agricultural and industrial:	
Minimum	11.0
Maximum	13.0
Services:	
Minimum	13.0
Maximum	15.0
Trade:	
Minimum	16.0
Maximum	—

Source: Central Bank of Egypt.

Clamps ease but pain fades slowly

Banking

MARGARET HUGHES

BANKS ARE still dusting themselves down in the aftermath of the economic measures introduced on January 5 by Mr Mustapba el-Said, the former Minister of the Economy, aimed at reasserting government control on imports and squeezing the black market.

These measures have since been reversed by Mr Sultan Abou Ali, his successor, and bankers beve welcomed his more liberal and stable approach which seems to reflect apparently the present mood of the Cabinet.

But repercussions of the January measures are still being felt and it will be some time before the banking and business communities recover.

The banking community has witnessed frequent recent changes in economic policy and almost as often seen them reversed. But bankers claim that the January measures have had a more severe impact on business. And the repeal has increased uncertainty, further undermining confidence when the underlying economy is depressed.

Networks

The January measures involved a three-pronged attack. Importers were required to open letters of credit by depositing Egyptian pounds for their foreign currency through the official commercial banking system. Previously importers had opened letters of credit with foreign currency obtained on the "own exchange" or black market, which has financed all private sector trade and an increasing proportion of public sector imports.

Importers are now free again to use this system where the source of foreign currency is elmost entirely remittances from Egyptians working ebroad.

This is collected by networks established in these countries by Egyptian money dealers and is estimated at between $3bn and $4bn compared with the $3.3bn which comes in through official channels.

This move was accompanied by the addition of 203 items to the list of commodities which bad to be referred to the Import Rationalisation Committee for approval to import. The expanded list was aimed at so-called luxury and consumer goods, including cars, but also covered some components, raw materials and other inputs for local industry.

Some 100 items in the second category have now been removed from the list pending a review. The system is likely to be replaced by a four-tier system of sliding customs duties although there will still be one category of "banned" imports, deemed either to be luxuries or produced locally.

Along with other direet measures to curb imports, e move was made to unify the multi-layer exchange rates by allowing a partial float of the so-called "incentive" rate. This rate, which applies to private sector transactions and tourism, was introduced in February last year, and set at E£1.12 to the U.S. dollar compared with a previous rate of E£0.84. This was amended in December to allow the four public sector commercial banks to boy dollars at E£1.20 in an attempt to ettract more workers' remittances to the official banking system and crack down on black market dealers.

The partial float was the only January measure to survive. The rate is fixed daily by e committee headed by the Central Bank. After remaining fairly static at around E£1.24 in the first two months it has been allowed to move higher in recent weeks.

It is expected to be allowed to float upwards to coincida with the return of workers from the Gulf of Ramadan and the holiday season. However, the black market rate is still keeping ahead.

The overall impact of the January measures and the confusion over their execution paralysed the import trade, the banking system and industry dependent on imports.

The new "incentive" rate was not realistic enough to attract foreign currency from the black market. The commercial bank pool, already short of foreign exchange before the new measures, was unable to cope with the sudden increase in demand. The lifting of curbs on foreign currency deposit accounts is also reported to have set off a flight of capital out of the country of some $800m.

The 19 foreign banks operating as foreign currency branches in Egypt stood impotent on the sidelines, temporarily excluded from the mainstay of their business—letters of credit. The ruling that letters had to be opened in local currency excluded them because they are permitted to deal only in foreign currency.

Indebtedness

The only foreign banks able to deal in local currency are those which beve formed joint ventures with local partners in which there is e majority Egyptian shareholder. There are ebout e dozen such banks among the 70 or so foreign ones in Egypt.

Their customers were meanwhile facing financial difficulties. Unable to find foreign currency in the official system while unofficial currency sources had dried up in the ensuing confusion, they were failing to meet repayments on foreign currency loans to banks.

There were many tales of Egyptian businessmen, liquid enough but in the wrong currency, arriving at banks with armfuls of Egyptian pounds and pleading with their bankers to accept them in lieu of foreign currency.

The new measures were introduced without a full appreciation of the level of the private sector's indebtedness to the banks, which is put et $3bn. Some bank customers have gone bust and there would bave been many bankruptcies had the measures prevailed.

Banks have bad to reschedule the debts of many customers and are making heavy provisions for this year. One of the major commercial banks is reported to be setting aside almost half this year's profits.

Since the reversal of these January measures, banks have been flooded with applications for letters of credit approved during the first three months of this year but held up due to the lack of foreign currency. Even so, the number of letters of credit being opened is half what it was a year ago and once the backlog bas been dealt with banks do not anticipate a buoyant market.

This is not the first time that foreign currency branches have been excluded from the letters of credit business. In the summer of 1981 Mr Abdel Razzaq Abdel Meguid, the deputy Prime Minister for the economy, ruled that letters for imports in two non-luxury categories be opened with deposits in Egyptian pounds, with the foreign currency to be made available through the official commercial bank channels.

The economy was then in better shape but official channels were unable to meet demand. Combined with other import curbs, this ruling halved the number of letters opened and was subsequently reversed by Mr Mohammed Abdel Fattah Ibrahim, Mr Abdel Meguid's successor.

Having seen the main source of income closed twice in a relatively short time, there is likely to be something of e shake-out among foreign currency branch banks. Those who feel committed to Egypt may decide to cbange their status to joint-venture banks, with a majority Egyptian sharebolding. In the meantime, they are trying to persuade Mr Aly Negm, the new central bank governor, to allow them to deal in local currency as branches.

But Mr Negm adheres to his long-beld view that the banks should cbange their status if they wish to deal in local currency. To do otherwise, he says, would contravene the Investment Law.

He says he would not force the banks to cbange their status if they were willing to stay in Egypt in their present role. He does not disguise that be would like to see them direct their lending towards productive industry and extend the maturities of loans.

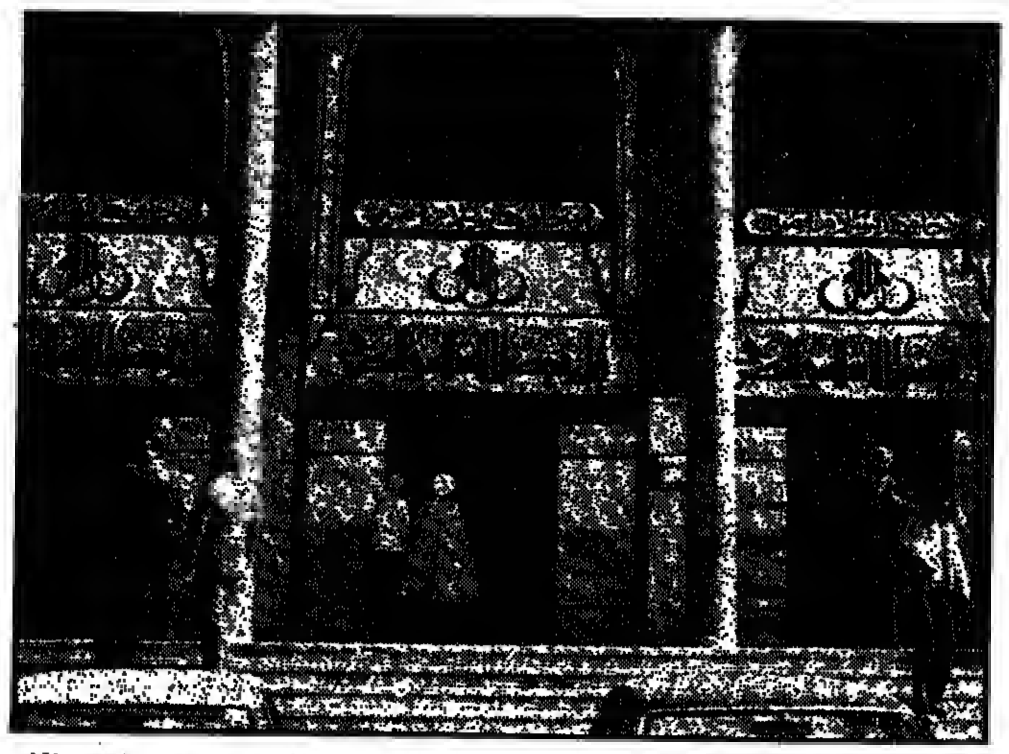
Mr Negm says four foreign banks have applied to change their status from branches to joint ventures. They include Credit Suisse, Middle East Bank and the National Bank of Abu Dhabi.

There are a dozen or so such joint ventures, most linking foreign banks with public sector Egyptian ones. The experience of some in marrying efficient international banking practices with the more bureacratic Egyptian public-sector style bas made other foreign banks reluctant to follow suit.

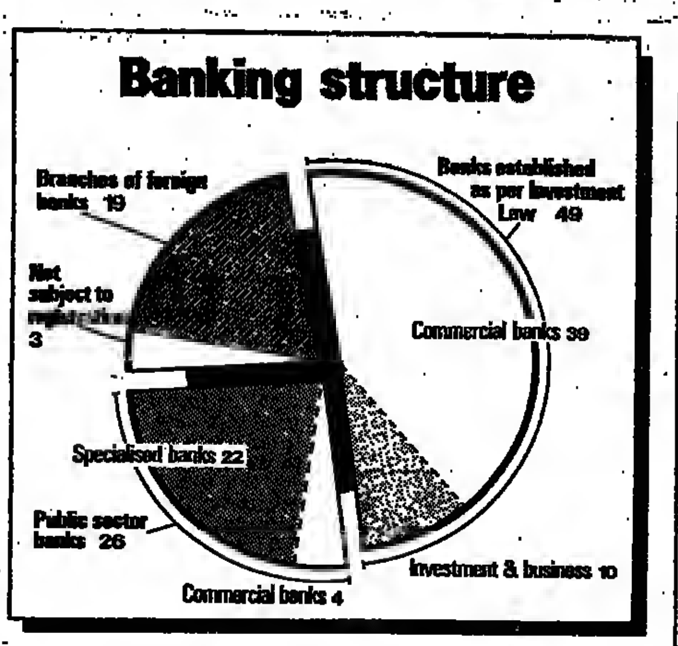
More recent joint ventures such as that involving Hong Kong and Shanghai Bank and the proposed Credit Suisse joint venture have involved private sector individuals or companies as "sleeping" partners, leaving the bank to be run by the foreign partner under a management contract.

After the uphesvals, bankers have greeted with relief, the appointment of Mr Aly Negm as the new governor of the Central Bank.

Much is expected of him. Mr Negm has a major task of rebuilding confidence after a year in which the banking fraternity has also been jolted by e scandal involving second-tier banks over imprudent dealings with one of the big money dealers. This led to the sequestration of the property of more than e dozen bankers and the money dealer and contributed to the downfall of Mr Mustapha el-Said, former Minister of the Economy.



Alternative regulations are being considered to take account of Islamic banks' special needs



Battle against bureaucracy

Industry

MARGARET HUGHES

A FEW MONTHS ago Mr Mamdouh Kastour, general manager of trailer assemblers Gorica Egypt, ran a series of advertisements in the leading Egyptian newspapers pleading with the Government and the customs authorities to cut red tape. He called for a unified import system and clear, fixed import duties.

There was no response. So he, along with eight other trailer assemblers, including three in the public sector, are suing the customs authorities for the millions they claim they are owed. Mr Kastour says he is due E£0.25m.

Import duty on components for his trailers is 20 per cent. However, the customs have retained another 30 per cent, claiming that this is as a deposit while they establish whether his imports are components or fully-assembled trailers.

Mr Kastour is representative of many young Egyptians keen to invest but frustrated by bureaucracy. He has invested E£3.5m in establishing the kind of company which the Government claims it it keen to encourage. He has also located it at one of the new cities—the Tenth of Ramadan—which the Government is keen to promote. Yet it took him two years to get authorisations.

Having eventually built his plant he continues to be thwarted by bureaucracy. Apart from the withholding of his customs deposits, his cash flow is being hit by the four-to-six weeks it takes to get imports cleared through customs. He pays penalties for each day his goods are delayed.

He also says it takes two to three months for approval from the Ministry of Industry and the Imports Rationalisation Committee to open letters of credit for repeat orders.

His experience is no isolated case. Anyone who has tried to invest in Egypt will testify it is a familiar tale. Mr Kastour's lead time is relatively short compared with many other projects.

It is an obstacle which has frustrated many foreign investors and helps explain low investment. The private sector accounts for only 25 per cent of investment and foreign sources only 35 per cent of the E£12.3bn projects approved by the Investment Authority.

Industry is being strangled by the bureaucrats Mr Kastour derides as "small kings ruling over a kingdom of paperwork they are constantly seeking to expand."

It has taken General Motors, for instance, seven years to get its $35m truck and bus assembly project off the ground. With production due to start next month, it has still not obtained agreement from the Government on import duties.

This project, in partnership with Isuzi, will provide 1,200 jobs when fully operational in 1987 and produce 18,200 units a year.

Located in another new city, the Sixth of October, it is expected to stimulate satellite industries in this desert site, an hour's drive from Cairo.

Catalyst

The project seems to be the type of catalyst needed for long-overdue restructuring of Egypt's industry. Yet has been plagued by delays.

A E£33m project to produce 5,000 trucks and 6,000 buses for which Daimler Benz signed an agreement with its Egyptian partners more than three years ago has yet to come to fruition.

Proposed car projects involving foreign participation have similarly been bedevilled by problems. In 1979 Fiat, licensor for the state-owned El Nasr Automotive Manufacturing Company (the sole local producer) had an agreement for a joint venture plant approved by the People's Assembly. But the deal came to nothing.

Since then motor manufacturers including Volkswagen, Peugeot and Renault have thought an agreement was within their grasp.

In 1983 the Government decided to be more ambitious and go for an all-Egyptian car, calling for new bids. In spite of a pledge that a contract would be awarded in six months there is still no decision.

Last month it looked as if GM had it in the bag, having come up with a proposal with several component manufacturers and backed by some $175m U.S. aid for a project which would have included producing car parts for both the locally-assembled vehicle and for export to GM's European outlets.

The inclusion of components in the package would have earned Egypt foreign exchange and reduced the foreign currency needs of the plant. On the day wen the final decision was expected the whole project was thrown back into the melting pot.

Such problems are not confined to the motor industry. In 1981 Rothmans, after four years negotiating, signed an agreement for a E£50m to E£60m joint venture with the state-owned Eastern Tobacco. This was cancelled by the Government.

Over the past year the project has been revived on a licensing basis using spare capacity at Eastern's expanded plant. It was due to go ahead this summer but is still being held up by the failure to agree import duties on raw materials.

At present, locally-produced cigarettes would cost more than the imported product.

Customs duties are an important source of revenue for the Government making E£1.5bn or 7.4 per cent of GDP last year. This poses a dilemma in attempting to encourage local industries.

There is also a powerful importers lobby. These traders have been the main beneficiaries of the Infitah or "open door" policy launched by President Sadat in 1974. The main result has been a huge inflow of imports, particularly of consumer goods.

There are a few who, given the right investment climate, would direct some of these profits to productive industry. But the majority are opposed to the squeezing of the source of their wealth. This conflict between the potential producers and the "fat cat" importers is seen by many observers to be as much a constraint on the economy as the dominance of the inefficient public sector.

It is a major factor behind much of the indecision on industrial projects and the events of the early months of this year when another attempt was made to curb imports but later reversed.

The hurdles which exporters face are even greater. As part of its belated move to encourage exports under pressure from the World Bank, the Government has re-vamped the Export Promotion Council and launched an Export Development Bank. Agricultural and industrial exports have declined over the past 10 years from around $1.5bn to $1bn.

But before providing incentives for exporters, their first task is to remove the bureaucratic obstacles. The paperwork involves various quality controls at the ports and airports.

As Mr Farouk Shakweer, chairman of the Export Promotion Council, points out it should be the market which determines the acceptability of the product.

But Mr Hazem El Beblawi, chairman of the EDB emphasises that the Government has to make a much greater financial commitment if his bank is to provide export credit insurance and concessionary finance as envisaged, as well as tax incentives for exporters which both he and Dr Shakweer are urging.

The Government, from the President downwards, has been re-affirming its commitments to the private sector and foreign investment. This follows the severe blow to business confidence after the import clampdown and attempts to curb the free foreign exchange market.

The decision, reversed last month, to require importers to open letters of credit in Egyptian pounds brought all sectors of business to a grinding halt and it has yet to recover. Ironically, it has now had the effect of reopening the "open door" investment policy which government indecision since President Sadat's assassination in 1981 has just kept ajar.

Mr Atef Ebeid, the Minister for Cabinet Affairs, who is now playing a key role in the management of the economy, says the failure of the January decisions has "helped the cause of the free market, proving the negative results of over-regulation."

There has been a "dramatic change" in the Cabinet's attitude to foreign investment with renewed awareness of the need to streamline investment procedures and a "presidential commitment" to the private sector, he says.

Profitable

Mr Ebeid, who has been a consultant in the private sector and a beneficiary from the "open door" policy, says measures to streamline import procedures would be discussed with the business community. Businessmen would be given advance notice and explanation of any future changes.

Mr Ebeid also intends to apply private sector criteria to running the public sector, which in common with Mr Mohamed Abdel Wahab, Minister of Industry, he aims to make profitable.

Mr Ebeid predicted that within 24 months no public sector company intended to be profitable would be making losses. Management would be run on private sector lines and management pay scales would be restructured to include profit-sharing.

But they still have a long way to go. Of the 117 public sector companies which still dominate the textiles, food canning, engineering and chemical fields, only 78 made a profit last year, totalling E£263.5m, another three broke even while the remaining 36 lost a total of E£300m. The sector as a whole which accounts for two-thirds of industrial production made an overall loss of E£36.4m.

Proposed investments in five year plan

(1982/83—1986/87)	E£m Public sector	E£m Private sector
Agriculture and land reclamation	889.7	788.7
Irrigation and drainage	1,831.0	230.3
Industry and mining	6,841.9	1,775.7
Oil	1,336.7	—
Electricity	2,844.8	59.1
Contracts	526.7	415.0
Consumer total	14,270.8	3,268.1
Transportation, storage and communications	5,533.9	245.2
Suez Canal	335.0	—
Trade	421.1	40.0
Finance and insurance	79.2	140.0
Tourism	312.5	40.9
Productive services total	6,681.7	465.6
Housing	264.0	4,327.8
Public utilities	2,858.1	—
Education Services	898.3	22.5
Health Services	624.7	26.8
Other Services	1,028.4	9.2
Social services total	5,672.5	4,431.3
Fixed investment total	26,626.0	8,164.6
Investment expenditure	588.5	107.0
Total investments	27,214.5	8,271.6

Source: Egyptian/British Chamber of Commerce

Farmers are being encouraged to conserve water although this year's supplies should be sufficient

Water supplies face a threat from drought

THE NILE is falling and water stored in Lake Nasser is at its lowest since the early years after the Aswan high dam was completed in the mid-1960s. The great African drought is having an impact on the world's longest river.

Mr Yussuf Wali, Agriculture Minister, says that in spite of alarmist talk there is no need to worry—yet. Water in the coming year will be sufficient for agriculture, although electricity generation will be reduced.

Egypt used 40bn cu metres of Nile water in 1984, some 15bn less than agreed in its convention with Sudan, but this did not affect agricultural output. Officials are encouraging farmers to conserve water, and admit there are problems with overwatering.

More rational

Mr Hassan Ketr, an under-secretary in the Ministry of Agriculture said an additional 6bn cu metres could be made available if there was more rational water use. Egypt was well short of reaching the limits of available water.

There seems little cause for complacency. The 32bn cu metres flowing into Lake Nasser in 1984 was the lowest in 15 years and only 55 per cent of the average annual inflow between 1969 and 1983.

Gross storage of water in Lake Nasser in 1984 was 75bn cu metres compared with 132.5bn in the peak years of 1978 and 1979.

Agriculture department officials say inefficiencies arise in usage partly because of water seeping from unlined and poorly constructed canals.

Ambitious land reclamation is proving a burden on water resources. Some estimates say water applied to reclaimed desert land averages between 15,000 and 24,000 cu metres per feddan compared with 4,000 to 8,000 per feddan on normal land.

Some relief might be at hand if it were not for the insurrection in southern Sudan against the former regime of Mr Jaafar Nimeiri. Egyptian investment in a canal to improve the flow of water in the White Nile has been going to waste. Work on the project has stopped for about a year.

Egypt has invested about E£80m ($56m) in the Jonglei project, the first stage of which is about two-thirds complete. There is a danger, however, that excavations will collapse unless water flows into the canal within a few years.

A second stage involves construction of a hydraulic system. Foreign exchange costs for the whole project have been estimated at about $120m. Egypt could expect an extra 2bn cu metres of water from the Nile if Jonglei is completed.

If the African drought stretches into a third or fourth year, officials may have less reason to be sanguine about their most priceless asset.

Tony Walker

Paying the price for neglect

Agriculture

TONY WALKER

THERE IS a precarious balance in Egyptian agriculture between the entanglements of old pricing and quota policies and a new direction that promises more rational use of limited resources.

At first glance, prospects appear grim. The food import bill is an increasing burden, population increase far exceeds growth in agricultural production and land reclamation is progressing slowly and expensively.

There are serious anomalies in Egypt's use of its arable land, less than four per cent of the total. One third, for example, goes towards production of clover for livestock feed, a misallocation of resources in a country forced to import more than half its grain.

A ramshackle food subsidy system encourages waste. Egypt has one of the highest per capita rates of bread consumption in the world, attributable to low prices that make it feasible for farmers to feed loaves to animals.

Between 1950 and 1984, per capital annual consumption of wheat rose from 90 kgs to more than 184 kgs, compared with the present world average of 75 kgs.

Unfavourable

Egypt is paying the price in its unfavourable agricultural balance of trade for the neglect of the past few decades, when there was a drift of land, capital and manpower to other uses.

Investment in agriculture lags behind other sectors because of discriminatory government pricing policies over the years. National planning priorities have been skewed in favour of industry at the expense of agriculture, which accounts for 23 per cent of GDP but has attracted only 8 to 9 per cent of public investment.

Exports of cotton (Egypt's long-staple variety is highly prized on the world market) have sagged as domestic demand has increased and low prices have encouraged farmers to seek more profitable uses for land. Exports of cotton in 1984 were about 170,000 tonnes compared with up to 700,000 tonnes in peak years several decades ago.

The picture is not as negative, however, as figures might indicate. Egypt has identified its problems and is doing something about them. The question is whether this will compensate for the apparently unstoppable population growth which is preventing a narrowing of the food gap. Population increase is 2.7 per cent compared with growth in agricultural output of 2 per cent.

Mr Yussuf Wali, Agriculture Minister, is presiding over a revolution in policy that admits food self-sufficiency is no longer a realistic goal. Liberalised pricing mechanisms and eased quota requirements are encouraging "comparative advantage" land use for export-oriented and high-value domestic products.

There have been successes. In 1981 Egypt imported 80,000 tonnes of beans, according to Dr Wali. In 1982, it had a modest quantity left over for export. The Minister says that in five years Egypt will have achieved self-sufficiency in lentil production. In 1984 it imported 44,000 tonnes.

Egypt planned two to three years ago to satisfy by 1990 domestic demand for eggs. It has done so already and is seeking to export 100m eggs this year to Arab countries.

There are such surpluses of fresh milk that farmers unable to secure adequate prices are threatening to throw their produce into the canals.

Mr Wali's strategy is to ease the burden of the continuing high level of grain imports by increasing exports of fruit, vegetables and medicinal products. Exports of 183,000 tonnes of citrus in 1984 were equivalent to imports of 1.5m tonnes of wheat.

"We can be self sufficient for all major sectors except wheat, which can be compensated for by exports of perishable food and vegetables," he said.

A big challenge is to restrain the apparently insatiable appetite for meat. With prices comparable to those in developed countries, farmers are devoting increasing areas of land to livestock.

In 1984 the area given to government-controlled crops such as wheat, rice and cotton declined, while that far feed and forage crops, notably berseem (clover), increased. There are stories of farmers selling wheat for stock-feed because of premium prices.

Mr Wali said that Egypt, as a poor country, could not afford the misallocation of resources to livestock production and he was anxious to see increased fish production as a possible substitute.

Significant progress is being made towards compensating farmers for crops subject to quotas and price restrictions such as sugar, rice, wheat and soyabeans, he says. There is a free market in wheat and prices paid for soyabeans and sesame are comparable to the international market.

Of those commodities subject to government regulation, only cotton and rice are being procured at below world prices, Mr Wali says. But he noted that the Government is increasing its procurement price for cotton in 1985 by 28 per cent to arrest the decline in production.

Penalties

Land sown for cotton this year is 1.1m feddans (a feddan is a little more than an acre) compared with less than 1m last year, the agriculture ministry estimates. The Government is to import inferior short-staple cotton to preserve export supplies of its high-quality, long-staple variety. It is being assisted by the U.S. through a $35m commodity credit.

Land reclamation is continuing but with limited success. The Ministry says about 200,000 feddans has been reclaimed from the desert over several years out of total reclaimed land of about 900,000 feddans. Another 400,000 is targeted for reclamation to 1987, the end of te current five-year plan.

A drag on efforts to open up new land is shortage of investment and lack of manpower in the agricultural sector. This may be changing, however, because the recession in the Gulf is lessening opportunities for Egyptian workers abroad.

Mr Wali hopes that new systems of irrigation such as the drip variety and the pivot system will increase opportunities for production of high-value cash crops. The minister estimates that Egypt has sufficient water supplies to add about 50 per cent to the 6m feddans or so of cultivated land.

Egypt is also aiming to stop misuse of existing agricultural land for uses such as housing and industry. From August brick factories that use irreplaceable Nile soil will be closed while penalties are being enforced on building without permit on agricultural land.

The government is also considering taking over unused farmland for cultivation, with rent being paid to the owner.

Equipment hire centres have been opened to promote mechanisation. Egypt is also developing the fertiliser industry and plans this year to export phosphate for the first time. But without further liberalisation of marketing and rationalisation of subsidies, chances of progress will be limited.

Pricing policies since the 1960s have jeopardised the agricultural sector and harmed private investment, said Mr Hassan Ketr, Agriculture Under-secretary. Government controls over agriculture benefited other sectors, said Dr Ketr, who noted that between the late 1960s and mid-1970s some 30,000 feddans a year were being converted to other uses.

Subsidies were introduced to offset the low price structure for agricultural commodities, but were never adequate to compensate farmers.

Unless Egypt is able to restrain population growth to 2 per cent, advances in economic development and food production will be wiped out, he said. At the present rate of increase the population will be about 75m by the year 2000, 10m more than the planning target.

Egyptian officials could do worse than examine China's experiences in restraining population growth through material incentives, while encouraging agricultural production by freeing prices and abolishing quotas.

Exports	Metric tonnes
Cotton*	170,000
Citrus	183,000
Potatoes	136,115
Rice	65,000
Onions	15,000
Imports	**000s metric tonnes**
Wheat and flour	6,302
Corn	1,582
Vegetable oil	365
Tallow	273
Beef	162
Frozen fish	108

* Export season from Nov 1983

Leaning more heavily on U.S. aid

Assistance

MARGARET HUGHES

EGYPT, ALONG with Israel, is the largest recipient of U.S. economic assistance. It is also the second largest for West German aid, the largest for Japanese assistance outside Asia and one of the largest for French aid.

The World Bank, its principal multi-lateral donor, also has a major programme. Last year Egypt received a total of $1.83bn in development assistance — more than it earned from Suez Canal dues and tourism together and more than seven times the level of direct investment.

With the predicted decline in its traditional sources of revenue—oil, workers' remittances, Suez Canal dues and tourism—Egypt will be even more dependent on its aid donors, and the U.S. in particular.

When President Mubarak visited Washington in March he asked for an additional $865m in assistance this year and a further $1bn in the 1986 financial year to help overcome foreign currency problems.

He has been promised rather less—$500m spread over two years. But the Government hopes it will be able to receive it all in this calendar year, since the next fiscal year for USAID disbursements begins in October.

Egypt receives from the U.S. more than twice the level of aid that it gets from all other donors put together. The U.S. is by far its largest creditor with total disbursed debt outstanding at the end of last year of over $8.5bn including military and Eximbank and Commodity Credit Corporation loans.

Servicing this debt will require $726.3m this year — more than half the sum Egypt will receive in civilian economic assistance. Military debt accounts for nearly two-thirds of this year's debt service burden.

Egypt is already in arrears on its military debt to the U.S. and has been since the middle of last year. Ahead of President Mubarak's visit to Washington, Egypt was some $250m to $300m in arrears on its interest payments but made sufficient payments to keep its military assistance programme going.

Like Israel, Egypt receives its military aid in grant form. Last year it received $465m this way and $900m in loans. This year's allocation of $1.175bn is all grants.

Until last year Egypt has had to pay interest on its military debt and unlike civilian aid the terms are not concessionary.

Since the military assistance programme was started in 1979, the U.S. has given $4.5bn in loans to Egypt and $1.09bn in grants. By the beginning of the current financial year $4.29bn of this had been dispersed.

There is not the same concern over Egypt's civilian aid, in grant form since 1982.

Problems

The U.S. has committed $9.6bn to Egypt since the resumption of the aid programme of which $7.2bn has been disbursed. Annual commitments are running at just over $1bn. More than 50 per cent is in quickly disbursed balance of payments support through the Food for Peace PL480 programe, used to buy wheat, flour and other food—Egypt imports half its food—and the Commodity Import Programme (CIP) for import of a wider range of commodities.

Loans on the PL480 programme are at concessionary terms of 3 to 3½ per cent with repayment over 30 years and 10 years grace. CIP falls under the umbrella of the Economic Support Fund administered by USAID, which also includes project funing. Like the rest of the ESF programme, it is new in grant form.

In the current financial year, which for USAID programmes runs from October to September, Egypt is receiving $1.04bn plus an additional cash transfer allocation held over from last year plus whatever it receives of the $500m promised.

The high U.S. development assistance to Egypt is a reflection of its strategic and political importance to the U.S.

A major problem of the USAID programme in Egypt has been the low level of disbursement. Until 1983 Egypt was absorbing only some $800m of its annual $1bn allocation. The aid backlog reached a peak in 1982, when $2.8bn (37 per cent of allocations) were still not disbursed.

Flyovers are springing up almost overnight in a priority infrastructure programme

This coincided with the arrival in Cairo of Mr Michael Stone, a former businessman, to head the USAID mission, and who made it a priority to unblock the pipeline.

By the time Mr Stone left last November, the level of disbursements had exceeded new obligations for the first time in two consecutive years.

Nonetheless his successor, Mr Frank Kimball, still has a pipeline of $2.4bn of undisbursed funds. Part of the problem is that the bulk of this is project funding with long lead times.

The lower level of disbursement is not confined to USAID funds. Other donors have similar experiences. Of the $1.9bn committed by the World Bank in IBRD loans since 1970, only some 55 per cent has been disbursed. Absorption of the soft loans extended by its IDA arm, amounting to $974m, shows a higher level of 75 per cent.

The IDA has stopped extending loans to Egypt since 1982 since it no longer meets income requirements.

Disbursement of funds committed by the World Bank, like that of other donors whose funds are partly used to meet local costs, has been held up by disagreements over exchange rates. The World Bank and Egypt reached a compromise on a more market related rate in February.

West Germany, which has replaced Japan as the second largest bilateral annual aid donor, claims that Egypt is twice as slow at absorbing funds as any other country to which it gives assistance. Of the total DM 3.9bn ($1.27bn) extended since 1974 after relations were resumed, 40 per cent is undisbursed.

France, which previously experienced better utilisation than other donors, is also suffering bottlenecks.

This has been due partly to delays in the Cairo metro projects.

Total French aid committed to Egypt is Fr 7.23bn ($769m). The annual programme increases at the rate of about 10 per cent and is currently Fr 1.01bn.

Japan, which has committed a total of Y317bn ($1.32bn), in financial aid and a further $34.4m in technical assistance since 1973, has similar problems with disbursement. This is partly because the bulk of its financial aid is in project loans.

Japan also does not allow funds allocated for one project to be transferred to another if it is delayed or cancelled, or if Japanese companies are not successful in winning the contracts.

While donors complain about the low absorption by Egypt through slow decision-making and other bureaucratic holdups, they are not without fault themselves.

There has been strong criticism of the USAID mission, in particular, which is rapidly becoming a replica of the Egyptian ministries which it liaises with.

Mr Stone, when he left in November, said he would like to see the number of USAID projects cut by a third and the staffing by a quarter. The mission had been administering hundreds of projects in hundreds of institutions which were "heavy in terms of burden and light in results."

Following his departure, USAID in Washington commissioned a study into the efficiency of the Cairo mission. This is understood to have shown that millions of dollars were being wasted through indecision and bureaucracy.

Mr George Laudato, the associate director for programme policy and evaluation, says an immediate cut in the number of projects is difficult as so many are under way. However, he anticipates a halving of the current total of 80 within two or three years.

The U.S. has come in for criticism — less vocal than two or three years ago but parallels are still drawn with involvement in Vietnam and Iran. USAID is attacked for using Egypt as an extended research laboratory for academics collecting data which has little relevance to Egypt; of providing employment for geriatric U.S. consultants rather than Egyptians; and for concentrating on infrastructure projects doing little to improve productivity.

Mr Laudato agrees that Egypt is right to question the programme but feels that USAID is responding better to needs.

In Egypt's most recent negotiations it has stressed that it wants less emphasis on infrastructure and more on investment which generates exports or replaces imports. Mr Landato said USAID would be responding but only through the private sector, to which it has allocated increased funds this year.

Dream brought closer to realisation

Infrastructure

MARGARET HUGHES

IT MUST BE the dream of every one visiting Cairo to make an appointment by telephone, hop on the metro or drive smoothly across town without having to circumvent any sewage overflow, and arrive on time.

Judging by the activity going into rehabilitating Egypt's infrastructure, that dream should not be very far from reality. Flyovers seem to spring up overnight, the central Tahrir Square is being dug up to make way for the new metro and elsewhere telephone cables and wastewater collectors are being laid.

Egypt has made improvement of infrastructure a priority of the current five-year plan, in particular the improvement and expansion of water and wastewater systems.

Infrastructure accounts for the largest proportion of assistance provided by the U.S. through its Economic Support Fund (ESF). Of the $450 committed last year to project funding $338m was allocated to infrastructure and in the current year the allocation will be $345m. This is in addition to the $2.28bn committed to infrastructure since the economic assistance programme to Egypt was resumed in 1975.

The largest component in both years' allocations is for water and sewage. The U.S. has committed $1bn over five years for the Greater Cairo wastewater system which will be one of the world's largest urban sewage schemes.

It is being undertaken as a joint project with the UK, which has provided £50m in aid. The EEC is also providing Ecu46.54m for the new sewage system and associated pumping stations in the industrial city of Helwan, south of Cairo, in its largest project funding in Egypt.

There is also Dutch finance of Fl 6m and Italian grant of L6bn for this project, which is expected to cost E£115m.

The Cairo wastewater project is expected to cost £2bn twice the amount originally envisaged in 1977.

The masterplan was drawn up by Ambric, the joint UK/U.S. consultants. Construction work on the east bank of the Nile will be undertaken by British contractors whilst U.S. companies will work on the west bank.

U.S. contractors have already carried out the preliminary cleaning and maintenance on both sides of the Nile. This initial work, costing some $128m plus local costs of E£75m, should be complete in a year.

After many years delay due to bureaucratic wrangling and legal niggling, contracts for the main project are finally being let and work has started.

The first phase on the east bank is due to be completed by June 1989. Additional foreign currency funding has had to be raised for this first phase through an £85m ECGD-backed export credit arranged by Midland Bank and Samuel Montagu, bringing the total export credit financing to £185m.

Two more contracts are out to tender but a decision is not expected until August. This project, like other major undertakings such as the metro, has been held up by delays in down payments from the Egyptian Government. Short-term bridging finance may be arranged to cover any shortfall in payments to contractors until budget funds are released, for the project to go ahead.

Tenders have also been called for four contracts on the U.S. funded west bank phase two, which is expected to cost more than $400m.

Commitment

Civil work on the Helwan project was started some time ago by local contractors but has been delayed, so contracts for electrical and mechanical work and equipment have only just gone out to tender. Consultants are Dorsch Consult of West Germany.

This leaves two phases outstanding: the second phase of the east bank and the Abu Rawash treatment plant.

The Cairo Wastewater Organisation is seeking more aid for this part of this phase and has approached the UK Government.

Development assistance from France is also heavily geared to Egypt's infrastructure credits. Its biggest project is in the Cairo metro. Having originally allocated some FFr 1.1bn it has had to almost treble its commitment for the first two phases.

The first phase involves a 4.5 km underground line through the heart of Cairo plus five stations. This will link the urban overground rail lines to El Marg in the north-east and Helwan in the south-east, forming a 43 km line serving 33 stations.

It has been bedevilled with problems. The scheme was two years late getting off the ground after the contract had been awarded to Interinfera Arabco, a consortium of 18 French companies and Arab Contractors of Egypt.

Mr Charles Carlier, general manager of the project, said it is now half complete. Progress is said to be faster than on the Lyons metro in France and the line should be in operation by the end of 1987—two years behind schedule. It is planned to transport 60,000 passengers per hour.

The visibility of this project, which is already known by Cairenes as the French Metro, has done much for the French Government in public and commercial relations.

But those involved make no secret of the headache it has been. As with the financing committed by France for the new Damietta port, 160 km east of Alexandria, the French Government gave a blank cheque by signing a special protocol to cover the foreign currency costs. There is much relief that the Damietta project is on schedule.

While the new metro is supposed to be the miracle cure for Cairo's traffic congestion, and the new wastewater project should transform the environment for many, few of these promised benefits can yet be seen.

Benefits of the $1.8bn telecommunications project being undertaken by the Franco-German-Austrian consortium of Thomson CSF, Siemens and Siemens Osterreich with support from their governments are more apparent. This contract, awarded in 1979, is finally on course after lengthy delays.

This project will add 500,000 telephone lines and rehabilitate another 250,000.

USAID is also financing a $317m programme by AT & T and Ford Aerospace to add some 300,000 lines and eight exchanges, while Rayethon, is installing microwave links between the exchanges. All this will be completed this year.

The next major infrastructure project is the Cairo ring road, expected to cost some $350m. Although France's Omnium Technique Holdings undertook the study for this 73km project last year financed by USAID, the French Government, is steering clear.

The next city seeking "rehabilitation" is Alexandria, which has its own masterplan involving investments of $20bn.

Meanwhile, six international companies have pre-qualified for the daunting task of streamlining Cairo's urban management. The two-year project, which is being backed by $3.6m World Bank financing, will involve co-ordinating all these large infrastructure projects.

Cairo wastewater contracts

Contract No. and description	Contractor	Est cost (m) £	E£
EAST BANK PHASE 1			
1 Ameria Pumping Station—civil engineering	Christiani-Nielsen/Misr Concrete	15	22
2 Ameria—mechanical/electrical	G.E.C. Elect. Projects Ltd.	11	1
3 Main tunnel—Ameria to Souk El Samak	Anglo-Egyptian Wastewater Consort.	41	65
4 Main tunnel—Souk El Samak to Abdeen	Lilley Cons./Misr Engineering	36	57
6 Culvert—Ameria to Urban Boundary	Arab Contractors	1	40
8 Culvert—Kossous to Gabal El Asfar	C.R.C. (Hassan Dera)	1	53
12 Main tunnel—Abdeen to Ein El Sira	Anglo-Egyptian Wastewater Cons.	43	64
Sub-total contracts awarded		148	304
7 Culverts—Urban Boundary to Kossous	Not yet awarded	—	—
9 Pumping stations—Kossous, Khalag and Force Mains	Not yet awarded	—	—
10 Gabal El Asfar Wastewater Treatment Plant, etc—civil engineering	Not yet awarded	—	—
11 Gabal El Asfar—mechanical/electrical	Not yet awarded	98	245
Total estimated costs		246	549
WEST BANK PHASE 1		$	E£
Flooding relief	Various local	57	
010 Rehab main pumping stations	Howard, Harbert, Sedelmy	55	
007 Rehab subsidiary pumping stations	Sedelmy	11	
Total estimated costs		123	75
WEST BANK PHASE 2			
20 Sewers, collectors	Not yet awarded	143	*
21 Culverts	Not yet awarded	165	*
22 Pumping stations	Not yet awarded	123	*
23 Giza relief system	Sedelmy	20	*
Total estimated costs		451	

* No local funds

Margaret Hughes reports how a delayed phone call led to a full-scale shake-up in hotels

Shoestring operation starved of funds

Tourism

MARGARET HUGHES

STAYING et the once-grand Old Cataract Hotel at Aswan can be somewhat less than idyllic nowadays — as President Mubarak found out recentuy.

Forced by a sandstorm to stay the night, he was told by U.S. tourists how run-down the state-owned hotel had become and how bad the service was.

Field Marshal Aba Ghazala, his Defence Minister, had a taste of the bad service when he was unable to put through an urgent phone call to Cairo on the president's behalf because the operators had changed shifts.

The response, by Egyptian standards, was swift. The chairman of the board of the Egypt Hotels Company, which manages state-owned hotels, including names from the past such as the Winter Palace in Luxor and the Shepheards in Cairo, has been replaced.

Dr Wagih Shindy, Minister for Tourism, has called for international groups to submit offers for running the state-owned hotels.

Hilton Hotels has plans to join forces with MISR Hotels, the 50 per cent state-owned company which owns the Nile Hilton, among others. Hilton would have the majority shareholding in a new company to be called Egylton with an inititai capital of E£1m.

Refurbishment

Initially the company will manage hotels being built by various state-owned hotel companies. It will take over the new 100-room hotel at Minya, owned by MISR Hotels, and one the same size planned for Sharm el Sheikh in southern Sinai by a MISR Hotels subsidiary. Projects are being considered at El Arish in north Sinai and on the Red Sea.

Mr Ahmed Nahas, general manager of Hilton in Egypt, will head the new company. He says emphasis will be on providing clean, comfortable, and functional hotel accommodation in the three to four-star categories.

Hoteliers point out that existing big hotels require substantial refurbishment before they can be brought up to international standards. Mr Nahas says that Mr Ahmed Khaled, private sector partner in MISR, Hotels, will provide the finance for such refurbishment.

However, there remains the major problem that these hotels are heavily over-staffed and under-trained. He and the other hoteliers will steer clear of taking on management until such issues have been resolved.

International hoteliers say it is unfair to blame the management for the way the public sector hotels are run. They feel that Mr Nabil Heikal, the replaced chairman of Egypt Hotels, who had been in the job a short time, has been used as a scapegoat. The problem for the public sector hotels and of tourism in general, is the lack of government resources.

Tourism is run ou e shoestring and the ministry has little say in government decision-making. Tourism survives in spite of rather than because of government policy.

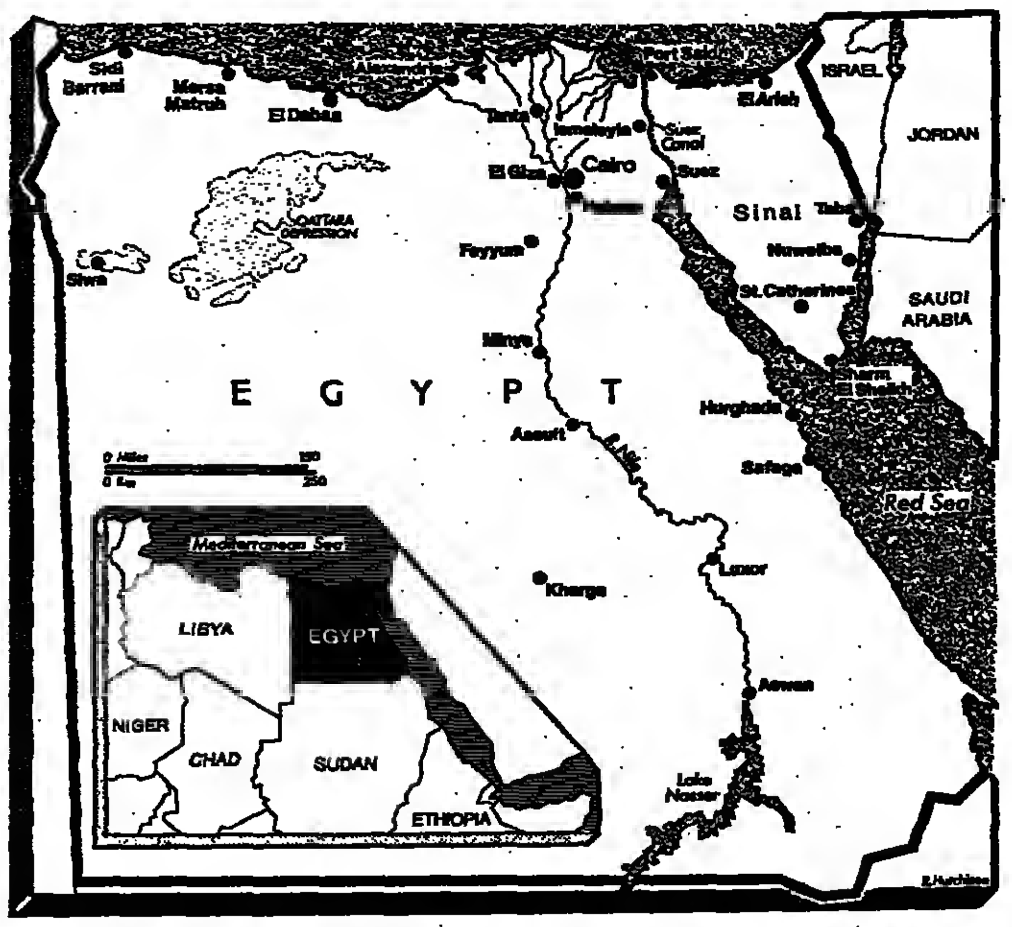
Tourism is the fourth largest foreign exchange earner with the added advantage that it provides jobs and an outlet for local produce. But in spite of this is has been so starved of funds that experts question whether the Government is really committed to the industry.

Receipts have fallen from a peak of $594m in 1980 as more money has been exchanged on the black market. Last year officially recorded receipts were down to $233.3m. The Tourism Ministry reckons it loses 70 per cent of its revenue this way but hopes that the higher incentive rate et which tourists can now exchange currency will help stem the outflow.

What receipts there are have to be handed to the Government's central pool, which then allocates what it thinks fit to the industry.

The Government's lack of commitment to the industry is manifold. Over the past 18 months tourism has gone through a rough patch. Although there was a 4.2 per cent rise in the number of tourists last year to 1.56bn this was a lower growth rate than in the previous year. The number of Arab tourists visiting Egypt actually fell.

Tourists are also staying in Egypt a shorter time. The number of nights stayed has fallen dropping in each of the past three years. Thanks partly to the start of charter flights, the rate of decline slowed last year to 3.2 per cent. In the first quarter of this year there was an 8.1 per cent rise.



Hotel occupancy, is also well down on a few years ago, when near 100 per cent occupancy was the norm in Cairo. Occupancy rates last year were down sharply to 70.5 per cent in Cairo and as low as 53 per cent in Egypt as a whole from 75 per cent and 64 per cent respectively in 1983. This is partly because several big new hotels have been opened in the last two years, adding an extra 3,523 rooms.

In the first three months of this year arrivals were up 4.4 per cent, due mainly to an increase in visitors from OECD countries who account for some 53 per cent of the total. But hoteliers say it is far short of expectations.

Many tourists have been put off by the requirement to change $150 each on entry at the airport at a different rate of exchange than they are able to change money legally at banks in the country.

Since January this differential has widened as the incentive rate is now adjusted regularly by the central bank.

At the airport they receive 82 piastres to the dollar. At a bank outside the airport they would get about 130 piastres and on the black market 150 piastres. This means that a tourist is paying an entrance fee of about E£72. Tourists have also complained about difficulties in changing Egyptian pounds back into foreign currency.

Hoteliers claim they have lost both tourist and conference trade because of these problems. Dr Shindy says he has urged the Government to make the exchange rate the same at the airport and banks.

Dr Sultan Abu Ali, the Minister of Economy, says the system is under review but that tourists should accept the extra cost as a "tourist tax" contributing to the country's infrastructure.

The Government obtains only some $35m from this so called entrance fee, hardly worthwhile when we set against the harm to its tourism industry.

Hoteliers have also been hit by the sharp fall in business visits in the early months of this year because of uncertainty and confusion caused by the January economic measures.

The tourist industry is also suffering because it has few repeat tourists. Egypt is a one-visit location, where tourists visit the archaeological sites but see no attraction in exploring the country further.

Camping

There has been much talk by the Ministry of Tourism of the need to promote recreational tourism, but little has been done. Tourists lured to the Mediterranean and Sinai coasts, for instance, are not happy that they are prohibited from walking on the beaches at night. Some have even been shot at by coastguards policing the beaches against drug smugglers.

The Government has done much to improve the infrastructure in Sinai but little to upgrade the hotel and camping facilities, which have become run down since they were handed over by the Israelis.

Nonetheless, Dr Shindy says he is keen to attract recreational and group tourists. He says the he recently banned the construction of five-star hotels in major cities. The emphasis in future will be on hotels in the three to four-star category and on tourist villages.

As part of attempts to attract the less wealthy tourists it allowed charter flights for the first time in 1983. Last year 300 flights were operated by West German, Austrian, French, and Swiss groups to Luxor, Aswan and Hurghada on the Red Sea. These tourists have to stay for at least six nights, which has helped halt the decline in tourist nights figures.

This has run into problems, however. A West German insurance company took 700 of its employees in four aircraft chartered from Lufthansa to Luxor and Abu Simbel.

This led to protests from the national airline, Egyptair, which is seeking a ban on any other similar charterers flying internal routes. Yet it does not have the capacity to meet the requirements of such a large group.

The potential for tourism in Egypt is vast. Apart from its archaeological sites, it offers year-round bathing on beautiful sandy beaches. In the Red Sea is an unparalleled combination of coral and fish life. But if the Government wants Egypt to realise this potential it will have to give its full-hearted commitment to tourism.

In particular it needs to look hard at those measures which are discouraging tourism. As one international expert said: "The Government is hiding its head in the sand and burying its tourism with it."

Tourism Growth

	Arrivals	% increase
1976	983,890	24.1
1977	1,002,226	2.0
1978	1,051,848	4.7
1979	1,064,079	1.2
1980	1,253,097	17.8
1981	1,376,027	9.8
1982	1,423,251	3.4
1983	1,497,932	5.2
1984	1,560,460	4.2

Source: CAPMAS

BUSINESS GUIDE

COMPILED BY HODA SAROFIM

THE best period for business in Egypt is from September to June. Working hours are more regular and the weather milder. Try and avoid the month of Ramadan which falls this year on May 20 through to June 17, and during which Moslems fast from dawn to sunset.

VISAS

These should be obtained from your local consulate. They are usually valid for three months and can be extended locally. They can also be obtained at Cairo airport.

HEALTH

Vaccination against smallpox and, in summer, cholera is required. Drink bottled water. Avoid tap water and therefore ice except in spirits. Raw vegetables and salads, unless eaten in a home or first-class restaurant are to be avoided.

CURRENCY

Egypt has four effective rates to the Egyptian pound, official rate US$1 to E£0.7 which applies to the Central Bank pool used to finance imports of essential commodities and cover Government debts. The official incentive rate is $1 to E£0.84 and is the rate at which visitors entering the country have to change the equivalent of $150, and is the rate of purchase of airline tickets. There is a floating rate of around $1 to E£1.3 which is the rate at which hotel bills are paid, and the black-market rate is approximately $1 to E£1.5.

WORKING HOURS

All ministries, some of the organisations affiliated to them, and banks take both Friday and Saturday off. Public sector banks are open to the public from 8.30 am to 2 pm, while others are open from 9 am to 2 pm. During Ramadan the working hours are from 10 am till 1.30 pm, in public sector banks, and from 10 am to 1 pm in others.

TRANSPORTATION

Taxis are readily available. Black and white ones are cheaper but usually do not go by the meter. Air-conditioned limousines are available at the airport and big hotels at fixed prices.

TIPPING

Tip at discretion for services. In hotels and restaurants a 10 per cent tip is customary. Taxi and limousine prices are generally low.

USEFUL ADDRESSES

Ministries and organisations affiliated to them:

Ministry of Economy and Foreign Trade, 8, Adly St., Cairo. Tel. 933489, 908911.

Ministry of Industry, 2, Latin America St., Garden City. Tel. 550641, 551855.

General Authority for Investment and Free Zone, 8, Adly St., Cairo. Tel. 906804. Tx. 92235 INVST UN.

General Organisation for Industrialisation (GOFI), 6, Khalil Agha St., Garden City. Tel. 546355.

Egyptian General Petroleum Corporation (EGPC), 1, Osman Abdel Hafez St., Nasr City. Tel. 603208, 603899. Tx. 92049 PTMISR UN.

Suez-Gulf Petroleum Co (GUPCO), Palestine St., 4th sector, New Maadi, Tel. 520985, 521337. Tex: 92248 GUPCO UN.

BANKS

Central Bank of Egypt, 31 Kasr el Nil St., Tel. 751559, 741538, Tex. 92237, 22386 CBECR UN.

National Bank of Egypt, 24, Sherif St., Tel 744175, 744143, Tx. 92238, 92832 NBE UN.

Banque Misr, 151, Mohammed Farid St., Tel. 912711, 912106, Tx. 92325, 21783 BANSR UN.

Bank of Alexandrie, 49, Kasr el Nil St., Tel. 920940, 936499, Tex. 92068, 92738 BNALX UN.

Banque du Caire, 22, Adly St., Tel. 762545, 749669. Tx. 920022, 92838 BNKHR UN.

Embassies

British. Ahmed Ragheb St, Garden City. Tel 540852-9.

U.S. 5 Latin America St, Garden City. Tel 557371.

Australian. Cairo Plaza. Tel 777900.

Canadian. 6 Mohammed Fahmy el Sayed St. Tel 543110.

French. 29 Giza Avenue, Tel 728033.

German. 8 Hassan Sabri St, Zamalek. Tel 418153.

AIRLINES

Egyptair, 12, Kasr el Nil St. Tel. 750600.

British Airways. 1, Abdel Salam Aref, Tahrir Square. Tel. 759977.

Air France. 2, Talaat Harb Square. Tel. 743300.

Swissair. 22. Kasr el Nil St. Tel. 741522.

Lufthansa. 9, Talaat Harb St. Tel. 750366.

Alitalia. Nile Hilton. Tel. 740984.

TWA. 1. Kasr el Nil St. Tel. 749900

TRAVEL AGENCIES

Thomas Cook. 4, Champolion St, Cairo. Tel. 743955. Tx. 92413 TCOOK UN.

American Express. 15, Kasr el Nil St. Tel. 750703. Tx. 92715 AMEXT UN.

CAIRO RESTAURANTS

In most of the better hotels, there are good standard restaurants serving international cuisine. The Palme d'Or at the Meridien, The King Tut Grill at the Heliopolis Sheraton and the Indian Moghol at the Mena House are well regarded. Likewise are Le Chateau (Swissair), 7 Corniche el Nilstm, Giza (Tel. 728488) and Don Quichotte. 9a, Ahmed Heshmat St, (Tel. 406415). For a good and cheap oriental meal, try Felfela, 15 Hoda Sharawi St. (Tel. 742751) but for more elaborate orinetal cuisine (no alcoholic drinks are served), try Mashrabia, 4 Ahmed Nessim Giza. The Cairo cellar at the President Hotel, Zamalek, is popular for drinks and a light meal, Caroll in the City, 12 Kasr el Nil St, and Arabesque a few doors away offer a pleasant meal.

HOTELS IN CAIRO

A wide range of hotel accommodation is now available in Cairo deluxe hotels (E£70 to E£80 per night). In addition to international dialing and telex services, secretarial assistance is provided. Conferences and business lunches can be arranged.

Cairo City

Nile Hilton. Tel. 740777, 750666, Tx. 92222 HILTS UN.

Ramses Hilton. Tel. 758000, 754999, Tx. 94263 HIRAM UN.

Meridien. Tel. 845444. Tx. 22325 HOMER UN.

Sehraton Cairo, Tel. 731555, 730333, Tx. 92041 SHERA UN.

Zamalek

Marriott. Tel. 408888. Tx. 93464 MAR UN.

Sheraton Gezira, Tel. 411336, 411333, Tx. 21507 GEZEL UN.

Heliopolis

Sheraton Heliopolis. Tel. 665500, 667700, Tx. 93350 SHERA UN.

Sonesta. Tel. 609444, 609151. Tx. 93242 SONCA UN.

El Salam Hyatt. Tel. 452155, 455155, Tx. 92184 ELHYT UN.

Airport

Cairo Concorde. Tel. 678718, 678723. Tx. 93402 COCAI UN.

Pyramids

Mena House Oberoi. Tel. 855444, 855523, Tx. 93096 OBHOTEL UN.

Tourist Hotels (E£50 to E£70 per night).

Manial Palace. Tel. 844083. Tx. 92353 MANIAL UN.

Jolie Ville. Tel. 855510, 855612, Tx. 92567 JOLIE UN.

Holiday Inn Sphinx. Tel. 854700, 854930, Tx. 94097 HOLINN UN.

Holiday Inn Pyramids. Tel. 856117, 856477, Tx. 93775 HOLLIN UN.